



# User Guide

QuickBooks 2006 for Windows

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## Welcome to QuickBooks

# How do I use this guide?

Welcome to QuickBooks! This user guide is designed to help you learn how to use the most-common features of QuickBooks.

The User Guide covers QuickBooks Pro, and QuickBooks Accountant. When the name *QuickBooks* is used, it refers to any of these programs. When there is an important distinction between the versions of QuickBooks, the proper name of the software is used in the text.

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# Where to start

## If you're new to QuickBooks

Read the *Getting Started Guide* that came with QuickBooks. It contains information on the following:

- installing QuickBooks
- hardware, software and network requirements
- activating QuickBooks
- setting up multiusers
- introduction to some essential tasks such as adding customers, suppliers, accessing the in-product help, creating an account, tracking VAT and setting up payroll to name a few

## Using this guide

The User Guide is meant to help you get the most out of QuickBooks. Once you have read the *Getting Started Guide* and you have become familiar with your software, look to this guide to get more comprehensive instructions on QuickBooks and its features. This guide also provides some business concepts to help you better understand some of the accounting concepts used in QuickBooks.

## If you are upgrading to QuickBooks 2006

If you have an earlier version of QuickBooks installed on your computer and you are upgrading to QuickBooks 2006, you must complete these steps *before* installing your new software.

**Note:** If this is the first time you've purchased QuickBooks, refer to the *QuickBooks Getting Started Guide* for comprehensive installation instructions.

- 1 Back up your company file. Ensure that the backup is labelled correctly and kept in a safe place in case you need it later. Do not overwrite this backup.  
For instructions on making a backup file, see the instructions that came with your older version of QuickBooks.
- 2 Verify your company file.  
To verify data in most versions of QuickBooks, from the **File** menu, select **Utilities**, then **Verify Data**. In early versions of QuickBooks, see your documentation for instructions.

- 3 Create and print a Trial Balance for your company. For instructions on printing a Trial Balance, see the instructions that came with your earlier version of QuickBooks.
- 4 Install QuickBooks 2006. Refer to the *Getting Started Guide* for installation instructions.

When you have installed QuickBooks 2006, print a second Trial Balance and compare the two reports to confirm that all your accounts converted correctly.

Don't forget to also activate your new software. Refer to the *Getting Started Guide* for activation instructions or your in-product Help.



**If you are upgrading from QuickBooks 2003...**

If you previously had uncategorized amounts in your sales tax reports, the transactions causing these amounts will automatically be updated when you install QuickBooks 2006. Before installing QuickBooks 2006, you'll need to know the ending dates of your last VAT return.

Not sure what the ending date is? If today were 15 Feb., 2004 and the last return that was filed for VAT was for the period 1 Oct., 2003 to 31 Dec., 2003, then the ending date of your last filed VAT return would be 31 Dec., 2003.

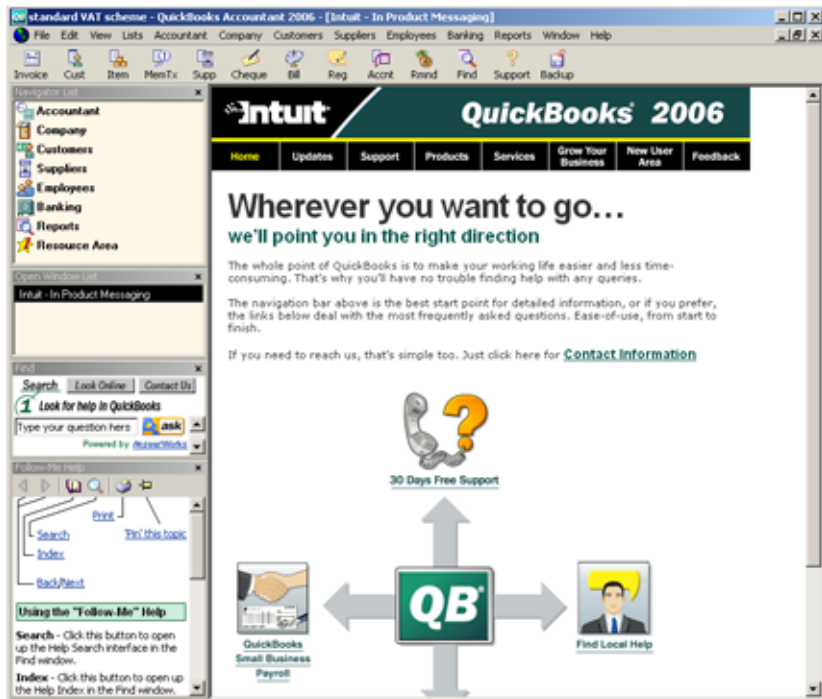
**What will happen to uncategorised amounts?**

QuickBooks marks all uncategorised amounts on or before the ending date as filed so they no longer affect your VAT liability. Uncategorised amounts after the ending date will be categorised as sales or purchases so that they correctly affect your VAT liability account. The next time you file a VAT return, QuickBooks will include these newly categorised transactions properly with all other unfiled transactions.

If you had uncategorised amounts in earlier versions of QuickBooks and didn't adjust your VAT returns for them, consult your accountant to see if you should file an adjustment now.

## What's new to QuickBooks 2006

The Resource Area makes it easy to find your way around in QuickBooks. Link buttons located across the top quickly takes you to the areas you need more information on.



## Are my accounts affected because of the HM Revenue & Customs changing its name?

Inland Revenue and HM Customs & Excise have merged to form a new department called HM Revenue and Customs. QuickBooks will continue to track your payroll and VAT liabilities using two accounts. However, you may want to merge the two suppliers in your QuickBooks file and use one instead.

For more information and other news on your 2006 version of QuickBooks, go to the Resource Area and click Updates.

# Setting up a new company

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## How do I set up my business in QuickBooks?

This chapter tells you what information you need to gather to complete the EasyStep Interview. It also helps you make good choices as you set up your company in QuickBooks and suggests things you can do after you complete your setup.

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# Decisions to make before you start

In QuickBooks, a "company file" contains all the financial records for a single business. Before you can use QuickBooks, you need to tell QuickBooks about your business so that it can set up your company file.

## Locating an advisor to help you with QuickBooks

**Tip:** Professional accountants and consultants can help set up your company file for you. To help small businesses find these professionals, Intuit manages a referral service through the Professional Advisor program. The referral service connects small businesses working with QuickBooks with accountants or consultants who are knowledgeable in QuickBooks. The service is free—you simply pay the advisors' fee for specific services you need.

QuickBooks Professional Advisors possess the tools, resources, and knowledge to help you set up, maintain and optimise QuickBooks so that you can manage your business better.

You can locate a Professional Advisor in your area by using our online referral service on our Web site at <http://www.quickbooks.co.uk/findanadvisor>. It is recommended that you select two or three advisors and ring each one to determine who would be right for your business. The QuickBooks Professional Advisors Programme referral service is free. The advisor you select, however, will provide you with information about their fees. Intuit is not liable for any loss, damage or expense arising in any manner out of, or in connection with the Professional Advisors programme.

## How many companies should you set up?

If you operate a business, HM Revenue & Customs requires that for each business you have, you clearly show all sources of income, and any business expenses. For tax purposes, it's usually best to set up a separate QuickBooks company for each business that files its own tax return.

For more information about using classes, see "Tracking income and expenses with classes" on page 14.

# What accounting method should I use?

## Cash versus accrual bookkeeping

There are two common methods of bookkeeping: cash and accrual. Your method determines how you report income and expenses on your tax forms. When you begin your business, you need to decide which bookkeeping method to use.

It's best not to switch to a different accounting system after you choose one. However, you can switch between cash and accrual reports in QuickBooks at any time, without affecting your accounting. By default, QuickBooks creates reports on an accrual basis. To change reports (except a transaction report) to cash basis, search the Help index for "Reports: cash vs. accrual."

### Cash basis

Some small businesses record income when they receive the money and expenses when they pay the bills. This method is known as bookkeeping on a cash basis. If you've been recording deposits of your customers' payments but haven't been including the money customers owe you as part of your income, you've been using cash basis accounting. Similarly, if you've been tracking expenses at the time you pay them, rather than at the time you first receive the bills, you've been using cash basis accounting.

### Accrual basis

In accrual-basis bookkeeping, you record income at the time you make the sale, not at the time you receive the payment from the customer. Similarly, you enter expenses when you receive the bill, not when you pay it. Most accountants feel that the accrual method gives you a truer picture of your business's finances.

## How your bookkeeping method affects QuickBooks

QuickBooks allows you to enter your transactions the same way no matter which method you use for taxes. When you first install QuickBooks, it uses accrual-basis accounting by default. For example, it shows income on a profit and loss statement for invoices as soon as you record them, even if you haven't yet received payment. It shows expenses as soon as you record bills, even if they are unpaid.

You can see any report (except transaction reports) on a cash basis by changing the reporting preference. (For more information, search the Help index for "Reports: cash vs. accrual.")

## What accounting do I need to know?

Using QuickBooks requires very little accounting knowledge. All you need to understand is what a “chart of accounts” is and the different types of accounts on it. You don’t have to know about debits and credit, journal entries, or closing periods.

### Your company’s chart of accounts

When you keep books for a business or enterprise, you want to track where your income comes from, where you put it, what your expenses are for, and how you pay them. You track this flow of money through a list of accounts called the chart of accounts. Your QuickBooks chart of accounts can have:

- Balance sheet accounts
- Income accounts
- Expense accounts
- Cost of Goods Sold accounts
- Non-posting accounts (includes purchase orders and estimates, which do not appear on your balance sheet)

Some of these accounts are created for you automatically. For example, the first time you create an invoice, QuickBooks automatically creates an accounts receivable (A/R) account. You’ll add other accounts, such as your current account, during setup using the EasyStep Interview. And, you can create and modify your accounts as needed at any time.

### Types of accounts

#### Balance sheet accounts

Your chart of accounts includes *balance sheet accounts*. These accounts track the following:

- What you have (assets)
- What people owe you (accounts receivable)
- What your company owes to other people (accounts payable and other liabilities)
- The net worth of your company (equity)



The following table describes the various types of QuickBooks balance sheet accounts.

Balance sheet account type	QuickBooks account type	Use to track
Asset		What you have and what people owe you
	Bank	Transactions in current, savings, and deposit accounts. You can also use this type of account for petty cash.
	Accounts Receivable (A/R)	Transactions between you and your customers, including invoices, payments from customers, deposits of customer payments, refunds, and credit memos. QuickBooks automatically creates an A/R account when you first create an invoice.
	Other Current Asset	Assets that are likely to be converted to cash or used up within one year, such as the value of your stock on hand, promissory notes due within a year, prepaid expenses, and security deposits.
	Fixed Asset	Depreciable assets your business owns that aren't liquid (not likely to be converted into cash within a year), such as equipment, furniture, or a building.
	Other Asset	Any asset that is neither a current asset nor a fixed asset, such as long-term promissory notes.
Liability		What your company owes to other people
	Accounts Payable (A/P)	Outstanding bills. When you first enter a bill, QuickBooks automatically creates an A/P account.
	Credit Card	Credit card transactions for your business expenses. One account per credit card.
	Other Current Liability	Liabilities that are scheduled to be paid within one year, such as VAT, payroll taxes, accrued or deferred salaries, and short-term loans. Some businesses include the current portion of long-term liabilities in this kind of account.
	Long-Term Liability	Liabilities such as loans or mortgages scheduled to be paid over periods longer than one year.
Equity		Net worth of your company (equity = assets – liabilities)
	Equity	A company builds equity from three sources: <ul style="list-style-type: none"> <li>■ Investment of capital in the business by the owners</li> <li>■ Net profit from operating the business during the current accounting period</li> <li>■ Retained earnings, or net profits from earlier periods that are carried forward into the current tax year and that have not been distributed to the owners</li> </ul>

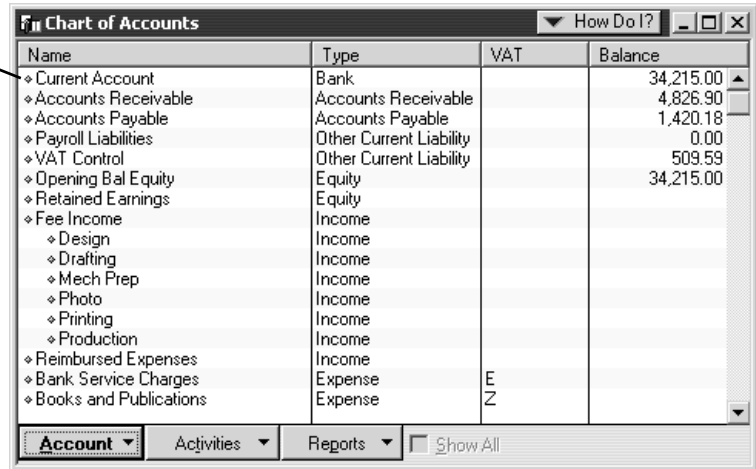
## Balances for balance sheet accounts

The Chart of Accounts window shows a balance for each balance sheet account (except for the special equity account, Retained Earnings).

One of the first things you should do when you open a business is open a business current account.

If you have multicurrency turned on, the Chart of Accounts also shows the currency denomination of the account.

For more information on multicurrency, see “Doing business internationally” on page 145.



Name	Type	VAT	Balance
♦ Current Account	Bank		34,215.00 ▲
♦ Accounts Receivable	Accounts Receivable		4,826.90
♦ Accounts Payable	Accounts Payable		1,420.18
♦ Payroll Liabilities	Other Current Liability		0.00
♦ VAT Control	Other Current Liability		509.59
♦ Opening Bal Equity	Equity		34,215.00
♦ Retained Earnings	Equity		
♦ Fee Income	Income		
♦ Design	Income		
♦ Drafting	Income		
♦ Mech Prep	Income		
♦ Photo	Income		
♦ Printing	Income		
♦ Production	Income		
♦ Reimbursed Expenses	Income		
♦ Bank Service Charges	Expense	E	
♦ Books and Publications	Expense	Z	

Account ▼ Activities ▼ Reports ▼ ☐ Show All

## Income and expense accounts

Income and expense accounts track the sources of your income and the purpose of each expense. When you record transactions in a balance sheet account, you usually assign the amount of the transaction to one or more income or expense accounts. For example, you not only record that you took money out of your current account, but you keep track of what you spent the money on, such as utilities, advertising, or office supplies.

There are no registers for income and expense accounts, but you can create reports to show totals for these accounts over a period of time. To create a report on an income or expense account, in the chart of accounts, double-click the account for which you want a report.

Type	Date	Num	Name	Memo	Split	Amount
<b>Equipment Rental</b>						
Bill	09/20/2001		Blitz's Cheapo Rentals		Accounts Pa...	365.00
Cheque	09/20/2001		Stewart Rentals		Current Acco...	6,467.00
<b>Total Equipment Rental</b>						<b>6,832.00</b>
<b>TOTAL</b>						<b>6,832.00</b>

## Cost of Goods Sold (COGS) account

Many businesses that track stock have one cost of goods sold account. A COGS account contains the cost of goods or raw materials that you have sold.

QuickBooks automatically adds this account to your chart of accounts the first time you create a stock item. Your chart of accounts list the type for this account as "Cost of Goods Sold". QuickBooks uses this account to track how much you paid for goods and materials held in stock that you eventually sold. After a sale, QuickBooks adjusts your costs of goods sold by multiplying the quantity sold by the average cost of each item.

## What's the best way to track my type of detail?

The following table describes situations that require a business to track a particular type of detail. The next table suggests the best way to track this detail in QuickBooks.

Situation	How to record in QuickBooks	Comments	For more...
You need to track details of services you're providing or products you're selling.	Set up items in the Item list for your services and products. Record the sale, using the appropriate items. On sales forms you can edit the item descriptions to add detail you want the customer or client to see.	You can get reports about the items for services and products that you have sold, including quantities and pound amounts by item.	search the Help index for: <ul style="list-style-type: none"> <li>■ items, Items are important for every business</li> </ul>

Situation	How to record in QuickBooks	Comments	For more...
You need to track multiple jobs for the same customer.	Set up jobs for the customer on your Customer:Job list. When entering any sales for a job, enter both the job and customer name in the Customer:Job field.	Reports by customer or by job give subtotals by job and then a total of jobs for the customer.	search the Help index for: ■ jobs, setting up
You need to track expenses by customer or job.	If you don't have QuickBooks Pro or higher, turn on the preference for tracking expenses by job. When entering any expenses for a customer or job, enter the customer name or the job and customer name in the Customer:Job field.	You can track expenses by customer alone if you don't use jobs. The profit & loss by job report lists both income and expenses with a separate column for each customer and job.	search the Help index for: ■ customers, adding new ■ profit and loss reports
You need to track income and expenses by monies, location, department, or business segment. Examples: Religious and arts organisations, retail stores with multiple locations	Turn on class tracking, and set up a class on your Class list for each fund/monies. On every transaction, enter a class as well as an account (where appropriate).	The profit & loss by class statement has a column for each fund/monies (class), so you can see income and expenses by fund.	search the Help index for: ■ classes, turning on in QuickBooks
You have employees and need to see detail about payroll taxes and other payroll expenses. Example: Any company with employees	Use the QuickBooks payroll feature to track your payroll.	The payroll reports show all your payroll information.	see "Setting up payroll: an overview" on page 165
You need to track certain details about your customers and suppliers. Example: Payment terms, customer's VAT, customer's "ship to" address, tax information, your account number with a supplier	Find and fill in the appropriate field in the New or Edit Customer window or the New or Edit Supplier window. The field you want may be on the Additional Info tab.	If you set up customers and suppliers by using the QuickAdd option, go back later, to add missing information.	search the Help index for: ■ customers, adding new ■ customers, editing information for ■ suppliers, adding, adding a supplier ■ suppliers, editing information for

Situation	How to record in QuickBooks	Comments	For more...
<p>You want to see reports for a particular group of customers, jobs, or suppliers.</p> <p>Examples: Residential vs. commercial customers; remodeling jobs vs. new construction; suppliers that sell materials vs. subcontractors</p>	<p>When setting up a customer, job, or supplier, assign a type. (Job types are available only in QuickBooks Pro and higher.)</p>	<p>You can filter a relevant report to limit the transactions to those for customers, job, or suppliers of the type (or types) you specify. You can filter a report of your Customer: Job list or Supplier list to limit the names to those for the type (or types) you specify.</p>	<p>search the Help index for:</p> <ul style="list-style-type: none"> <li>■ customer types</li> <li>■ job types</li> <li>■ supplier, adding</li> <li>■ report customisation</li> </ul>
<p>On your Item list, you want to group similar items together.</p> <p>Example: A school store wants to group clothing items and also group book items</p>	<p>Set up a main, or parent, item (for example, clothing). Then set up subitems of the parent item (for example, T-shirt, cap).</p> <p>Use the appropriate subitem when entering a sale or purchase of items.</p>	<p>On reports that summarise amounts by item, QuickBooks provides an amount for each subitem, and then a subtotal for all subitems of the same item.</p>	<p>search the Help index for:</p> <ul style="list-style-type: none"> <li>■ subtotals, on sales forms</li> </ul>
<p>You want to track information that QuickBooks doesn't already track for customers, suppliers, employees, or the items you sell.</p> <p>Examples: Patient's insurance company, item size or colour</p>	<p>Set up a custom field for tracking the particular kind of information.</p> <p>Fill in the custom field, where relevant, for new and existing customers, suppliers, employees, or items.</p> <p>To display and print the custom field on sales forms or purchase orders, customise the form to add the new field.</p>	<p>You can use the same custom field for customers, suppliers, and employees if you choose.</p> <p>Custom fields for items are only for items you sell or purchase (services, parts, and other charges).</p> <p>You can filter a relevant report to limit the transactions to forms that have specific text in a custom field.</p>	<p>search the Help index for:</p> <ul style="list-style-type: none"> <li>■ custom fields, about</li> <li>■ estimates, customising</li> </ul>
<p>On your profit and loss statement, you want to see subtotals for accounts that have something in common.</p> <p>Example: A construction company wants a subtotal for construction income for labour, materials, and subcontractors</p>	<p>Set up a main, or parent, account for the subtotal (for example, construction income). Then set up subaccounts of the parent account (for example, labour, materials, subcontractors).</p> <p>Use the appropriate subaccount when QuickBooks requires you to specify an account.</p>	<p>On reports that summarise amounts by account, QuickBooks provides an amount for each subaccount and then a subtotal for all subaccounts of the same account.</p>	<p>search the Help index for:</p> <ul style="list-style-type: none"> <li>■ subaccounts, then click the link <b>Why use subaccounts?</b></li> </ul>

## Tracking income and expenses with classes

Do you need to track income and expenses for separate parts of your business or organisation? The following table has examples of what you can track by using classes in QuickBooks. (The word *class* has nothing to do with teaching or learning—instead, it is a way of tracking income or expenses *in addition to* assigning an income or expense account. For example, you might use classes to break down your company data by department, project or location.)

Use classes to track the following	Industry examples
Account executives (particularly useful if you plan on using an employee incentive program linked to the employee's business goals and profitability)	<ul style="list-style-type: none"><li>■ Advertising</li><li>■ PR</li><li>■ Consulting</li></ul>
Construction industry standard categories (General, Site Work, Concrete, Masonry, and so on)	<ul style="list-style-type: none"><li>■ Construction contractors</li></ul>
Departments	<ul style="list-style-type: none"><li>■ Businesses that budget by department</li><li>■ Retailers</li></ul>
Monies (General, Building, Outreach, and so on) You could start with two main classes for restricted and unrestricted funds, and then make each fund a subclass of a main class.	<ul style="list-style-type: none"><li>■ Nonprofit organisations</li><li>■ Religious groups</li></ul>
Locations (if the business has more than one)	<ul style="list-style-type: none"><li>■ Restaurants</li><li>■ Retailers</li><li>■ Service businesses</li></ul>
Manufacturers	<ul style="list-style-type: none"><li>■ Distributors</li><li>■ Manufacturing reps</li></ul>
Partners	<ul style="list-style-type: none"><li>■ Law firms</li><li>■ Consulting</li><li>■ Any other partnerships</li></ul>
Product lines	<ul style="list-style-type: none"><li>■ Distributors</li><li>■ Manufacturing reps</li><li>■ Sales agents</li></ul>

After you set up classes, you can enter them on any income or expense transaction including payroll transactions.

You can't assign classes to transactions that involve only balance sheet accounts (for example, transfers from current to savings, setup of stock, setup of fixed assets).

You can set up subclasses of existing classes if you need to subtotal information about classes on reports.



### To learn about...

Turning on the preference for using classes

Entering a class on a transaction

Adding classes and subclasses

### Search the Help index for...

classes, turning on in QuickBooks

classes, assigning to a transaction

classes, adding

## Should I use classes, jobs, or types?

Ask yourself: Am I trying to track income or expense activity associated with a particular customer or group of customers or group of jobs?

If your answer is Yes, then you use jobs, customer types, or job types or track expenses by job. The following table shows what you can do with each of these.

If you are tracking a segment of your business that is independent of your customers and jobs, set up a class for the particular business segment. Then enter the class name in the Class field of every income or expense transaction for that segment.

To do the following...	Do this in QuickBooks...	Examples of reports to use
Keep track of sales for separate jobs or projects for one customer.	Set up and use jobs for the customer on the Customer:Job list.	Sales by customer summary (which shows each job separately)
See income or expenses for one type of customer, as distinguished from another type. Example: A PR writer wants to compare a restaurant with retail clients.	When entering or editing a customer, assign a customer type.	Sales by customer summary, filtered for one customer type Profit & loss by job, filtered for one customer type
(QuickBooks Pro and higher only) See income or expenses for one type of job, as distinguished from another type. (Jobs of the same type can be for different customers.) Example: A construction contractor compares kitchen remodels with office remodels.	When entering or editing a job, assign a job type.	Sales by customer summary, filtered for one job type Profit & loss by job, filtered for one job type

To do the following...	Do this in QuickBooks...	Examples of reports to use
Assign expenses to a customer (or to a particular job for a customer).	On every expense transaction for that customer or job, enter the customer name (or the customer and job name) in the Customer:Job field.	The following reports always break down amounts by customer. If you have jobs, they also break down amounts by job. Profit & loss by job Job profitability (QuickBooks Pro and higher only) Profit & loss budget vs. actual

## Reports that measure profitability

The value and performance of your company can be summarised by two reports: the balance sheet and the profit and loss statement. How you set up your accounts will greatly influence the level of detail you can get on these reports. You may also want to create the statement of cash flows report, which details the net change in your cash during a period.

### The balance sheet

A balance sheet is a financial snapshot of your company on one given date. This report is useful when applying for a business loan or at year-end to get an account of your company's equity, assets, and liabilities.

Assets include what you have and what people owe you. Examples include:

- cash on hand
- money in your current account
- money you are owed
- furniture
- vehicles

total assets = total liabilities + equity

Liabilities include what your company owes to other people or your company debts. Examples include:

- unpaid bills
- money you owe on credit cards
- loans
- VAT you owe

Equity is the net worth of your company:

equity = assets - liabilities

Grangeworth Kitchens Ltd Balance Sheet As of March 31, 2003	
<b>ASSETS</b>	
Current Assets	
Current/Savings	29,454.55
Accounts Receivable	94,246.05
Other Current Assets	93.19
Total Current Assets	123,793.79
Fixed Assets	43,900.00
<b>TOTAL ASSETS</b>	<b>167,693.79</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	44,118.16
Credit Cards	1,129.36
Other Current Liabilities	2,655.72
Total Current Liabilities	47,903.24
Long Term Liabilities	8,470.96
Total Liabilities	56,374.20
Equity	111,319.59
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>167,693.79</u></b>



## The profit and loss statement

A profit and loss statement, also called an income and expenditure statement, shows your revenue, expenses, and net profit or loss (that is, income minus expenses), summarising the revenue and expenses of your business by category (first income, then expenses).

<b>Profit and Loss Statement</b>	
	◊ Oct - Dec '03 ◊
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
<b>Construction</b>	
Labour	29,965.75
Materials	35,540.21
Miscellaneous	3,002.20
Subcontractors	47,946.63
<b>Total Construction</b>	<u>116,454.79</u>
<b>Total Income</b>	116,454.79
<b>Cost of Goods Sold</b>	
Cost of Goods Sold	<u>5,651.38</u>
<b>Total COGS</b>	<u>5,651.38</u>
<b>Gross Profit</b>	110,803.41
<b>Expense</b>	
<b>Automobile</b>	
Fuel	140.35
Repairs and Maintenance	114.75
<b>Total Automobile</b>	<u>255.10</u>
Bad debt	33.99
Bank Service Charges	10.00
Freight & Delivery	70.00
<b>Insurance</b>	
Disability Insurance	150.00
Liability Insurance	1,050.00
Auto	<u>825.00</u>
<b>Total Insurance</b>	<u>2,025.00</u>

Your cost of goods sold account always appears after income accounts and before any other expense accounts, so you can see what your net income is before subtracting your business's indirect expenses, such as utilities and office supplies.

Net income = income - expenses

Page 2

	◊ Oct - Dec '03 ◊
<b>Interest Expense</b>	
Finance Charge	-5.65
Interest Expense - Other	<u>539.80</u>
<b>Total Interest Expense</b>	534.15
<b>Job Expenses</b>	
Equipment Rental	850.00
Job Materials	18,395.36
Permits and Licenses	700.00
Subcontractors	<u>40,099.00</u>
<b>Total Job Expenses</b>	<u>60,044.36</u>
<b>Payroll Expenses</b>	19,780.38
<b>Professional Fees</b>	
Accounting	<u>250.00</u>
<b>Total Professional Fees</b>	<u>250.00</u>
<b>Rent</b>	2,400.00
<b>Repairs</b>	
Computer Repairs	<u>0.00</u>
<b>Total Repairs</b>	<u>0.00</u>
<b>Tools and Machinery</b>	1,135.00
<b>Utilities</b>	
Gas and Electric	154.40
Telephone	100.71
Water	<u>61.85</u>
<b>Total Utilities</b>	<u>316.96</u>
<b>Total Expense</b>	<u>86,854.94</u>
<b>Net Ordinary Income</b>	23,948.47
<b>Other Income/Expense</b>	
<b>Other Income</b>	
Interest Income	93.42
Other Income	<u>12.50</u>
<b>Total Other Income</b>	<u>105.92</u>
<b>Net Other Income</b>	<u>105.92</u>
<b>Net Income</b>	<u><u>24,054.39</u></u>

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# Setting up your company in QuickBooks

## Determining a start date

### New Business

If your business has no financial transactions yet (that is, you are starting up your business at the same time you are setting it up in QuickBooks), your start date is today. You can go on to “Information to collect” on page 19.

### Existing Business

Your start date is the date on which you begin managing your business finances in QuickBooks. It determines what information you need to enter in the Interview and afterwards.

For example, you could choose today as your start date, in which case you will need to enter how much money you have in each of your accounts and the amounts that your customers owe you and what you owe your suppliers. Or, you could choose an earlier date, in which case you’ll also need to enter all the business transactions you’ve made between your start date and today.

The advantage of choosing today as your start date is that you don’t need to enter many historical transactions, which saves you time. The advantage of choosing an earlier date (and entering your business’ historical transactions) is that you’ll be able to see a lot more detail in your business reports.

To choose a start date that’s best for your company, consider these questions:

- When does your company’s financial year start?
- How close is today to the end of your financial year?
- Do you have an accurate balance sheet for your current financial year?
- Do you have an accurate profit and loss statement (also called an income statement) for your current financial year?
- How far back in time are you willing to enter historical transactions (old invoices, bills, bank account transactions)?
- Will you be tracking payroll in QuickBooks?

**Note:** Although you can change your start date later, your start date determines much of your setup. It’s much easier to decide on the best start date now than change it later.

If it's almost the end of your company's financial year, consider finishing it using your old system of bookkeeping. Then set up your company in QuickBooks with a start date of your financial year-end so you can use QuickBooks for the new financial year. You'll have the detail for each financial year, and you won't have to do a lot of work setting up.

If it is not near the beginning of your financial year, decide which is more important to you:

- Do you want to have full detail in QuickBooks for the current financial year?

OR

- Do you want to enter relatively few historical transactions (covering the period between your start date and today)? If you're not going to enter your historical information for the full financial year, you may want to choose a start date at the beginning of a calendar quarter, especially if you're going to use QuickBooks payroll.

If your business generates a lot of invoices, bills, or cheques, you probably don't want to enter more than three months of historical transactions. On the other hand, if your business has relatively few transactions, you may be willing to enter several months of historical detail.

## Information to collect

### Who owns your business?

If you have not already done so, start by determining what type of business ownership is right for you.

- **Sole proprietorships:** A sole proprietorship is an unincorporated company owned by one person.
- **Partnerships:** A partnership is an unincorporated business owned by two or more persons. In a partnership, each partner owns a share of all assets and liabilities. Each partner may have invested in the partnership, and each receives a specified share of profits. Partners do not receive salaries, but they may withdraw money against their share of profits.
- **Limited Company:** A limited company is owned by its shareholders. Unlike a sole proprietorship or a partnership, a limited company can pay a working owner a salary. It is a legal entity in its own right, separate from its owners.

Check with your accountant or HM Revenue & Customs to make sure you understand the tax responsibilities for your type of business ownership.

## Other important information you'll need

The following table lists the information that you will need to complete the Easy Step Interview and also where you will find it. You should be able to enter most of the information in the Interview, but there may be some areas that you will need to come back to after completing your company setup.

You can leave and come back to the interview at any point.

Information you need	Where to find it	✓
Company legal name and address.	Owner, your accountant, or tax forms.	<input type="checkbox"/>
VAT registration number. You must have a registration number if you <ul style="list-style-type: none"> <li>■ collect the VAT, or</li> <li>■ sell or purchase goods from EC member states.</li> </ul>	HM Revenue & Customs.	<input type="checkbox"/>
The dates of your accounting period: <ul style="list-style-type: none"> <li>■ first month of your financial year</li> <li>■ first month of your income tax year, and</li> <li>■ your QuickBooks start date.</li> </ul>	Your records or accountant.	<input type="checkbox"/>
Income tax form your business will file. <b>Tip:</b> When the EasyStep Interview asks you, select an income tax form. QuickBooks uses this information to associate accounts with tax form lines and create tax reports.	Your accountant, HM Revenue & Customs, or tax forms.	<input type="checkbox"/>
Chart of accounts for your business. <b>Tip:</b> If you do not have an existing chart of accounts, don't worry. The EasyStep Interview helps you choose an appropriate chart of accounts for your industry.	Your accountant or previous bookkeeping method.	<input type="checkbox"/>
Names of the people in your company who will use QuickBooks, and which areas of your financial records you want them to have access to.	See "Working with multiple users" on page 111.	<input type="checkbox"/>
Balances for these types of accounts: <ul style="list-style-type: none"> <li>■ credit card</li> <li>■ loan and line-of-credit, and</li> <li>■ bank.</li> </ul>	<ul style="list-style-type: none"> <li>■ Statements covering your start date up to today for all bank accounts, including current, savings, and fixed term deposits.</li> <li>■ All uncleared cheques, deposits, or other items (credit card receipts, for example).</li> <li>■ Balance sheet prepared by your accountant.</li> </ul>	<input type="checkbox"/>
How much VAT you owe.	Accountant or HM Revenue & Customs.	<input type="checkbox"/>

Information you need	Where to find it	✓
<p>List of types of items you sell (products and services), including:</p> <ul style="list-style-type: none"> <li>■ item number or name</li> <li>■ current sales price or hourly rates</li> <li>■ the VAT code that is usually associated with the item, and</li> <li>■ income account for tracking sales of the item.</li> </ul> <p>For stock only:</p> <ul style="list-style-type: none"> <li>■ Purchasing cost</li> <li>■ Quantity in stock</li> <li>■ Total value of stock for the item</li> </ul>	Your company records.	<input type="checkbox"/>
<p>List of customers, including:</p> <ul style="list-style-type: none"> <li>■ Addresses</li> <li>■ Contact names</li> <li>■ Phone numbers</li> <li>■ Outstanding invoices</li> </ul>	Your company records.	<input type="checkbox"/>
<p>List of suppliers, including:</p> <ul style="list-style-type: none"> <li>■ Addresses</li> <li>■ Contact names</li> <li>■ Phone numbers</li> <li>■ Outstanding bills</li> </ul>	Your company records.	<input type="checkbox"/>
<p>Value of your assets. For fixed assets, you also need the original cost and accumulated depreciation.</p>	Balance sheet prepared by your accountant.	<input type="checkbox"/>
<p>Equity information. All the money you have put into the company, plus the sum of the retained earnings (the net profit or loss) for each year your company has been operating.</p>	Your accountant.	<input type="checkbox"/>
Payroll information.	See "Setting up payroll: an overview" on page 165 for details.	<input type="checkbox"/>

## Using the EasyStep Interview

The EasyStep Interview walks you through the process of setting up your entire business in QuickBooks. It takes about an hour to complete, but if for some reason you need to exit the interview, you can click **Leave** at any time. The EasyStep Interview remembers where you left off.

**Tip:** For a list of the questions that appear in the Interview, see the EasyStep.txt file in your QuickBooks directory. You can use this list to organise your information for the Interview.

Starting the Interview the first time you start QuickBooks:

- The first time you start QuickBooks, it displays a window with several options. One is to create a new company. Choose this option and click **OK** to start the EasyStep Interview. You can also start the EasyStep Interview by choosing **New Company** from the **File** menu.

Opening the EasyStep Interview at other times:

With your company file open, choose **EasyStep Interview** from the **File** menu. The interview picks up where you left it and you can continue on.



You can't change information by returning to the EasyStep Interview and answering the questions differently.

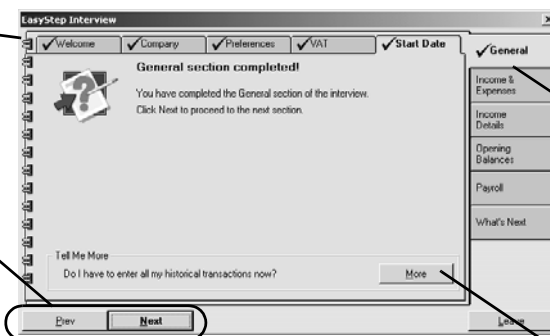
If you need to change information you entered in the EasyStep Interview, change it directly in QuickBooks. The EasyStep Interview is designed to help you with the initial set up of your company file, not for editing it.

## Getting around in the EasyStep Interview

The tabs along the top show topics within one section.

A tick mark indicates that the topic has been completed.

Click Prev to return to a previous window in the Interview and click Next to move to the next window in the Interview.



The EasyStep Interview is divided into six major sections.

A tick mark indicates that all the topics in the section have been completed.

When you see a More button, click it to get specific information about the question being asked in the Interview.

The EasyStep Interview is grouped into six sections. After you complete all the sections, your company file will contain all the basic information about your business that is needed to maintain your books.

- **General:** Lets you enter company information, choose a chart of accounts appropriate for your business, decide on QuickBooks preferences, and specify a business start date.




Complete the General section of the Interview before going on to other areas.

QuickBooks won't know enough about your company to ask the rest of the Interview questions unless the General section is completed first.

- **Income & Expenses:** Lets you review the income and expense accounts on your business's chart of accounts and create new accounts, if needed.
- **Income Details:** Lets you specify whether your business income is from services and/or products you sell. Based on the information provided, QuickBooks determines which income tracking and accounts receivable features you need.
- **Opening Balances:** Lets you enter information about the customers who owe you money as of your start date, suppliers to whom you owe money as of your start date, and balances in your balance sheet accounts as of your start date.
- **Payroll:** Lets you enter information like NI numbers and date of birth for your employees, set how often you will pay them, and set up payroll items (which you use to assign rates of pay, and other deductions and additions to pay cheques for employees).
- **What's Next:** Describes some common tasks in QuickBooks that you may want to complete after you have finished the Interview.



Some questions ask you to make a decision that is not easily reversed. When this is the case, you'll see a warning symbol: 

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# Should I track customers and jobs?

## What does QuickBooks mean by a customer?

In QuickBooks, a customer can be any of the following:

- A person or company that buys products or services from you
- A client of your consultant business or law firm
- A patient of your medical or dental practice
- A homeowner who buys your home repair or remodeling services
- A tenant who pays rent to your property management firm

Some businesses don't need to keep track of the names of customers. An example is a retail store or service business that always receives payment with the sale or service.

However, here are some situations in which you would want to track customer names:

- Customers receive your goods or services and then pay you later.
- Customers are supposed to pay a regular monthly fee, and you want to track who has paid and who hasn't.
- You want to track income (and perhaps expenses as well) by customer.

If you're using QuickBooks for an organisation that receives money but doesn't really sell anything, you likely don't need to set up customers. For example, a nonprofit or religious organisation with members making contributions or paying dues can track the deposits without making the members customers. Specialised membership software can keep track of membership details such as donations,

## What does QuickBooks mean by a job?

In QuickBooks, a job is a project done for a particular customer. You must always associate a job with a customer. Use jobs if you do (or expect to do) more than one job for the same customer. For example, Michele does freelance writing for a large company that supplies a separate purchase order for each job. Richard's plumbing business has to keep track of the separate jobs it does for a general contractor.

On the other hand, if your company never does more than one job per customer, or you do not want to track individual jobs, you don't have to enter job names. For example, Tracey's printing company refers to each customer order as a "job." However, even though Tracey gets repeat business from customers, all she cares about is whether the customer has paid, so she doesn't need to set up jobs for her customers.

Besides using projects for jobs, you can be creative. For example:

- If you manage several blocks or flats, set up the addresses as customers and the individual flats as jobs.



- If you invoice against purchase orders (POs), set up each PO number as a job.
- If you have a practice or organisation that sends one statement to a family to cover individual members of the family, set up the family members as jobs.
- If you have multiple estimates per customer, search the help index for “estimates, by job”.
- QuickBooks reports about jobs apply to customers as well. You don’t have to set up jobs in order to use these reports. For example, the profit and loss by job report actually applies to both customers and jobs. If you have customers but not jobs, you will still see information about your customers.

## Changing the opening balance for a customer or job

When you first set up a customer or job, you have a chance to enter the opening (unpaid) balance for the customer or job as of a specific date. The date should be your QuickBooks start date (that is, the date when you enter opening balances for all accounts, customers, and suppliers).

When you enter the customer’s opening balance (in the EasyStep Interview or New Customer window), QuickBooks creates an invoice for the amount and date you specify. This invoice is probably the first transaction in the customer register. (There should not be any opening balance transaction if the customer had no unpaid balance as of the start date.)

You can change the customer’s opening balance invoice by finding it in the customer’s register and then editing it.

If you failed to enter an opening balance but want to create one now, enter an invoice dated on or before your start date. To summarise the amount owed as of your start date, enter on the invoice an item set up as a nontaxable Other Charge, and assign the account Uncategorized Income.



### To learn about...

Displaying a customer’s register

Editing a transaction in a register

Entering an invoice

Setting up an Other Charge item

### Search the Help index for...

customers, registers for

registers, editing entries

invoices, creating

other charge items

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# Why you probably need to set up items

## Items for what you sell

If your business provides a service—writing, haircutting, consulting, legal advice, house painting, or any other service—you may charge by the hour and list the number of hours and your rate on your sales forms. Or, you may simply charge a flat rate for the service.

If your business sells products or parts, you probably list them on sales forms that you give your customers.

In QuickBooks, both kinds of businesses—service and product—can benefit by setting up items to track the services they provide or the products they sell to customers.

**Note:** In QuickBooks, “sales” is a broad term. It refers to any business action that generates income in exchange for services or products, even if you don’t think of what you do as selling. For example, a psychologist with patients, a graphic designer with clients, and a roofing contractor with customers all would set up items in QuickBooks for what they sell.

## Benefits of setting up items

Here are some specific benefits of setting up items:

- You can use sales forms in QuickBooks to track the details of how your business earns its income. Estimates and all sales forms—invoices, sales receipts, credit memos—require items. So do QuickBooks statement charges, which print on statements.  
(If you’re a professional, you may not think of your statements as sales forms, but they are.)
- You can fill out sales forms or enter statement charges quickly. QuickBooks automatically enters the description and rate or price you entered in the item’s setup window. When you enter a quantity, QuickBooks calculates the amount.
- When you record a sale (remember, it can be for a service), QuickBooks automatically tracks the income in the appropriate income account. You can fill out a sales form (or enter a statement charge), keep track of your sales, and keep track of income—all in one step.
- You can create reports that show total units of each service or product sold as well as pound amount totals.

## If you're still not sure you need items

Here are some examples of businesses or organisations that use items:

- Rebecca is the bookkeeper for a country club where members sign for meals, drinks, and fees and receive a statement at the end of the month. Rebecca uses items in QuickBooks for each of these. She uses the items to enter statement charges for each member and create monthly statements.
- Mario is a dentist. He has items set up for the various services he provides to his patients: cleaning, x-rays, filling cavities, and so on.

In contrast, some businesses or organisations probably don't need items. Here are some examples:

- John is keeping the books for his church. The church has members who donate and contribute money, but the church doesn't sell anything or charge for specific services, so John doesn't need to create any sales forms.
- Marina does facials in her home evenings and weekends. Her clients pay at the time of their visit. Marina simply wants to track the income received. She doesn't care to track in QuickBooks how many facials she gives or to whom.
- Rick is a commissioned sales representative. He takes orders for a manufacturer that then invoices the customers directly. Rick tracks the orders in a spreadsheet, not QuickBooks, because the sales are income for the manufacturer, not Rick. When Rick receives a commission cheque, he enters it in QuickBooks as a deposit.

## Items for services or products you purchase

Once you've decided to set up items for the services or products you sell, you might want to use items for the services and products you purchase.

If you purchase services or products for a specific customer or job, QuickBooks Pro and higher allow you to set up items that you can use for both purchases and sales. See "Items for reimbursable costs (QuickBooks Pro or higher)" on page 41.

On the other hand, if you don't have QuickBooks Pro or higher and you don't track stock, you should not use the same items for both purchases and sales. Instead, use items for entering sales only.

If you purchase assets such as buildings, vehicles, computers, or heavy machinery that will contribute to the operating capacity of your company for several years, QuickBooks Pro and higher enable you to set up items that can help you track their *depreciation*. You need to track the depreciation of such fixed assets both for tax purposes and to get an accurate accounting of the worth of your business. Your accountant can give you more information about using fixed asset items to record purchases and subsequent sales of fixed assets.

## Deciding how items should affect accounts

When you set up most items, you must specify which account it should affect when you use the item on a sale or purchase. Then, when you record the sale or purchase, each item on it affects the appropriate account.

In other words, while you are recording the items on a sale or purchase, QuickBooks is adjusting all the right accounts behind the scenes.

Which are the right accounts? If you sell an item (service, non-stock, and other charges), you normally associate an income account with it. If you purchase the same item, QuickBooks Pro or higher provides a way to associate a second account, usually an expense account, to be used on purchases. See “Items for reimbursable costs (QuickBooks Pro or higher)” on page 41.



### To learn about...

accounts for tracking stock

### Search the Help index for...

stock, accounts

If you purchase a fixed asset, you normally associate a fixed asset account with it. When you sell a fixed asset, you normally associate a fixed asset account with the asset.

Before you set up your items, you have to decide how much detail from your sales and purchases needs to show up in reports about your accounts. (The profit and loss statement, for example, is a report on your income and expense accounts.)

You can see details of your sales (such as number of units and pound amount of each item sold) on the QuickBooks sales reports. You don't need to have the same level of detail on your profit and loss statement. For example:

- Cynthia has a single income account for all sales income. She doesn't want to see any further breakdown on her profit and loss statement, and she doesn't need it for her tax returns.
- Derek, on the other hand, wants to split up income from services and income from materials he buys for a job and then puts on the customer's invoice. Thus, he uses one income account for all his service items and a second income account for all his non-stock part items (for his materials). Like Cynthia, he has far more items than income accounts.

## How many different items do you need?

Every business is different, but knowing how QuickBooks works can help you decide how specific your items should be.

First, once you use an item in a transaction, you can never delete the item unless you delete the transaction or condense your file to remove old transactions and old items. Fixed asset items are not condensed. Thus, if you sell unique items or a rapidly changing assortment of items, you probably want to use more general items. If the prices vary, you can enter prices on the sales form.

For example, Thomas has a men's clothing store. Because his stock of styles changes so much, he doesn't use QuickBooks to track stock. To track his sales, he has more general items such as Suit, Sports Jacket, Dress Shirt.

On the other hand, if you have two standard services or products that are similar except for their rate or price, you can save time recording sales by having a separate item for each. Then QuickBooks can fill in the correct rate or price on the sales form.

For example, Mali employs three stylists in her beauty salon. When she cuts a client's hair, she charges more than the rate for a haircut by one of the employees. So she has two separate items for haircuts.

You can change the rate or price of any item at any time. You don't have to create a new item in order to raise your prices.

In QuickBooks Pro and higher, you can create price levels to increase or decrease stock, non-stock, and service item prices. Use them on sales forms to automatically adjust the price of an item. Price levels can be created for any customer with whom you have a special relationship.

Finally, if there are items you purchase but never sell but that are **not** fixed assets (supplies for your office, for example), you probably shouldn't bother to put them on your Item lists. They will lengthen your list, and you'll find it harder to pick out the items that you do sell. However, if you plan on using QuickBooks purchase orders, you'll need to set up the items you purchase, even though they are only for your office use.

# Setting up items

This section is about adding items to QuickBooks. You can add items at any time—as part of setting up QuickBooks or whenever you think of an item you need to use.

Remember, items are for the services or items/stock you buy and sell. You also may need special calculating items that calculate subtotals and discounts, and that apply specific VAT rates.

The EasyStep Interview helps you set up a few items, so you may already have some items. Fixed asset items are not set up from the EasyStep Interview.

## Where to find information about your items

When you set up an item, you enter information you can use over and over again without retyping, such as the following:

- Name or code
- Description
- Price per unit or rate per hour, if applicable
- For items you sell, the income account to assign income from the sale; for items you purchase, the expense account for purchases of the item

QuickBooks stores information about your items or stock on the Item list.

On the Item list, items are in order of item type.

Within the same item type, they are usually in alphabetical (or numerical) order, but you can change this order.

Subitems are indented under the parent item.

Use the menu buttons to add, edit, sort, or perform other activities on items.

Item List					
How Do I ?					
Name	Description	Type	Account	On Hand	Price
♦ Subs	Subcontracted ser	Service	Construction:St		0.00
♦ Carpet	Install carpeting	Service	Construction:St		0.00
♦ Drywall	Install drywall	Service	Construction:St		0.00
♦ Electrical	Electrical work	Service	Construction:St		0.00
♦ Painting	Painting	Service	Construction:St		0.00
♦ Plumbing	Plumbing	Service	Construction:St		0.00
♦ Roofing	Roofing	Service	Construction:St		0.00
♦ Cabinets	Cabinets	Inventory Part	Construction:M	0	0.00
♦ Cabinet Pulls	Cabinet Pulls	Inventory Part	Construction:M	418	0.00
♦ Light Pine	Light pine kitchen.	Inventory Part	Construction:M	0	0.00
♦ Hardware		Inventory Part	Construction:M	0	0.00
♦ Doorknobs St	Standard Doorkno	Inventory Part	Construction:M	4	30.00
♦ Lk Doorknobs	Locking interior d..	Inventory Part	Construction:M	6	38.00
♦ Wood Door	Doors	Inventory Part	Construction:M	0	0.00
♦ Exterior	Exterior wood door	Inventory Part	Construction:M	6	120.00
♦ Interior	Interior wood door	Inventory Part	Construction:M	14	72.00
Item	Activities	Reports	Show All		

Information about fixed assets is available in the Fixed Asset Item List. The Fixed Asset Item List is only available in QuickBooks Pro and higher.

This list shows the fixed asset items you've set up to track your fixed assets. You can use this list to track all transactions having to do with your fixed assets, including any repairs or improvements, damage—anything that can affect their value and amount of depreciation.

Fixed Asset Item List				
Name	Purchase Date	Description	Account	Cost
1999 utility truck	01/09/2000	1999 utility truck	Trucks	15,250.00
2000 pickup	02/14/2000	2000 pickup & shell	Trucks	18,602.91
2007 delivery van	10/15/2007	2007 delivery van	Trucks	44,500.00
Chairs	02/01/2005	Conference room chairs (10)	Furniture	475.00
Conference table	05/01/2005	Conference table	Furniture	3,500.00
Desks	06/01/2007	Desks (7)	Furniture	2,100.00
Desktop computer	05/01/2001	Desktop computer (1)	Computers	2,000.00
Desktop computers	05/01/2007	Desktop computers (2)	Computers	5,000.00
Desktop computers-sales dept.	05/01/2007	Desktop computers (5)	Computers	13,000.00
Laser printer	06/01/2001	Laser printer	Computers	2,001.00
Metal filing cabinets	10/29/1998	Metal filing cabinets (12)	Furniture	1,250.00
Office building	09/22/1998	Office building	Buildings	325,000.00
Office land	09/22/1998	Office land	Land	90,000.00
Server	05/01/2007	Server	Computers	6,500.00



### To learn about...

Price levels (Pro and higher only)

Displaying the Item or Fixed Asset Item list

Sorting the Item list (and other lists)

Moving items (and other list entries)

### Search the Help index for...

price levels

items, list of

sorting, list entries

lists, reorganizing entries

## Types of QuickBooks items

In addition to items for services or products, QuickBooks has several other types of items. This section explains what each type of QuickBooks item is designed to do.

**Tip:** Use one of the Part item types for any product, not just a part of another product. If you decide to use QuickBooks stock to track your products, set up stock parts for them. Otherwise, set up non-stock parts for your products.

Item type	Use for...	Usual effect on accounts	Comments
Service	Services you charge for or services you purchase Examples: professional fees, labour	On sale: Increases income. On purchase: Increases expenses.	In QuickBooks Pro and higher, you can set up a service item so that it can affect either income or expenses, depending on where you use it. Price levels can be used on service items

Item type	Use for...	Usual effect on accounts	Comments
Stock Part	Products you purchase, track as stock, then resell Examples: Electrical outlets, T-shirts	On sale: Increases income, increases cost of goods sold, and decreases stock assets. On purchase: Increases stock assets.	Available only if the stock feature is turned on. Search the help index for stock, turning on. Price levels can be used with stock parts. Search the help index for price levels. You can set up different units of measure stock parts. For information on units of measure, see "Setting up different units of measure for your stock" on page 35.
Stock Assembly	Assembled products you purchase or create and build, track as stock, then resell Examples: Gift baskets, Soaker hose starter kits	On sale: Increases income, increases cost of goods sold, and decreases stock assets. On purchase: increases stock assets.	QuickBooks Pro and higher Edition(s) required to create and build stock assemblies. Available only if the stock feature is turned on. Appropriate for "light" assembled items; QuickBooks does not track stock through the manufacturing process. Price levels can be used with stock assemblies. You can set up different units of measure for stock-assembly parts. For more information on units of measure, see "Setting up different units of measure for your stock" on page 35.
Non-stock Part	Products you sell but don't purchase; items you purchase and resell but do not track as stock; items you enter on purchase orders Examples: Custom-made slipcovers	On sale: Increases income. On purchase: Increases expenses.	In QuickBooks Pro and higher you can set up a non-stock part item so that it can affect either income or expenses, depending on where you use it. Price levels can be used with non-stock parts.
Fixed Asset	Property that will contribute to the operating capacity of your company for several years Examples: Vehicles, Computers, Heavy machinery	On sale: Decreases assets. On purchase: Increases assets.	In QuickBooks Pro and higher you can create fixed asset items; in QuickBooks Regular you can view fixed asset items in the Item list and edit or delete transactions in which they're found, but you can't create them.
Other Charge	Other charges on a sale or a purchase Examples: Shipping charge, delivery charge, finance charge	On sale: Increases income. On purchase: Increases expenses.	In QuickBooks Pro and higher you can set up an other charge item so that it can affect either income or expenses, depending on where you use it. Can be a percentage or a flat amount.
Subtotal	Calculating and printing a subtotal on sales forms	Subtotal items have no effect on accounts.	On sales forms, if you want to apply a discount or add a percentage charge to several items at once, subtotal first.



Item type	Use for...	Usual effect on accounts	Comments
Group	Fast entry of a group of individual items already on the list Example: A group of services & food items provided by a caterer	Each item in the group affects the same account it affects when used by itself.	Available for either sales or purchases.
Discount	Calculating an amount to be subtracted from a total or subtotal Example: A 10% discount given to nonprofit organisations	Either decreases income or increases expenses (depending on item setup).	Available for sales forms only; not available for statement charges or purchase forms.
Payment	On invoices: Payment received at the time of invoicing, so that amount owed on invoice is reduced On sales receipts summaries: To show totals for each type of payment (cash, cheques, credit card)	Increases the balance of either a specific current account or the account for undeposited funds (depending on item setup).	Available for sales forms only; not available for statement charges or purchase forms.

## Items that calculate

The table of items includes some items used to perform a calculation on one or more lines above it on a sales form.

For example, if you need to subtotal on sales forms, then you need a subtotal item. A subtotal item adds the amounts of the items above it on the sales form and enters the subtotal on the form.

Finally, there are some items that can be set up either as percentages or with flat amounts, depending on what you need. For example, Carol adds a 10 % service charge to her invoices. She has set up an other charge item with a rate of 10 %. She uses a subtotal item before the service charge, so that the 10 % will be based on the subtotal amount.

Steve gives a 15 % discount to certain customers. He has set up a discount item with a rate of 15 %. He must use a subtotal item, because the discount is based on the entire amount.

For examples of how to use items that calculate, see page 45 for subtotals, page 47 for discounts, and page 121 for VAT.

## Subitems vs. group and stock assembly items

Just as you can set up an account with related subaccounts under it on your chart of accounts, you can have an item with related subitems. For example, Cherril keeps the books for her club's gift shop, which sells T-shirts and other items. She has an item called T-shirts and subitems called Adult and Child, each with its own price.

Subitems enable you to put similar items together on your Item list, so you can locate them easily on the drop-down list in any **Item** field. Each subitem can have its own rate or price and its own description. Each subitem can even have its own account, although you would probably assign the same account to all subitems of the same parent item.

In this example, Dressers is a parent item with two subitems under it.

Name	Description	Type	VAT	Account	On Hand	Price	Gross Price
Chairs							
Oak chair	Oak chair	Stock Part	5	Sales:Retail	0	0.00	0.00
Pine chair	Pine chair	Stock Part	5	Sales:Retail	4	50.00	58.75
Dressers							
Oak Welsh dresser	Oak Welsh dresser	Stock Part	5	Sales:Retail	54	30.00	35.25
Pine Welsh dresser	Pine Welsh dresser	Stock Part	5	Sales:Retail	0	0.00	0.00
Pine Welsh dresser	Pine Welsh dresser	Stock Part	5	Sales:Retail	15	400.00	470.00
Fitting							
Oak table and 4 oak chairs	Oak table and 4 oak chairs	Service	5	Labour:Fitting	8	360.00	423.00
Packaging							
Oak table and 4 oak chairs	Oak table and 4 oak chairs	Group					0.00
Packaging	Packaging	Non-stock Part	5	Cost of Goods Sold		0.00	0.00

On sales forms, you use subitems the same way you use other items. On reports based on items, QuickBooks subtotals each group of subitems.

Group and stock assembly items have a completely different purpose from subitems. Group and assembly items allow you to enter a group of items—that is, several different items—at once on a sale or purchase. Group items are appropriate for combining several types of items, such as catering services and food items, on one line in a sales receipt. For an example of entering a group of items, see page 45. Assembly items, available in QuickBooks Pro and higher Edition(s), are appropriate for indicating products you combine and sell as a unit, such as a gift basket containing one wicker basket and three jars of homemade jam.

You can't group fixed assets or make them subitems of other items.

## Setting up different units of measure for your stock

In QuickBooks Pro and higher, you can set up different units of measure for stock and stock assembly-type items. For example, you can buy soda pop in cases (with 12 cans to a case) and sell them by the can. Then, when you sell one can, QuickBooks understands this transaction to mean 1/12 of your stock.

### Turning on the units of measure preference

Before you can set up different units of measure for your stock parts (items), the units of measure preference must be turned on.



The units of measure preference cannot be turned off once it has been enabled. You should only consider activating this feature if you purchase, stock or sell in different units.

- 1 From the Edit menu, choose **Preferences**.
- 2 From the scroll box on the left, select **Purchases & Suppliers**.
- 3 On the Company Preferences tab, select **Stock and purchase orders are active**, and then select **Units of Measure are active**. (Stock must be turned on in order to activate units of measure.)

### What happens when units of measure is turned on?

With the units of measure preference turned on, you'll see the following changes in QuickBooks.

- A Units of Measure button is added to the Stock Part and Stock Assembly type items window. This button opens the Define Units of Measure window where you can set up different units of measure for these items.
- A field is added to the Service and Non-stock Part items window where you can assign a descriptive label that represents the unit of measure used when dealing with the item.
- A Unit column is added to all forms. This new column displays the item's unit of measure associated with the type of transaction. For example, the selling unit is used on sales forms such as invoices and sales orders, and the purchasing unit on purchase forms such as bills and purchase orders.
- A Unit column is also displayed on some windows such as "Adjust Quantity/Value on Hand" and "Change Item Prices".
- A Unit column is added to display an item's units of measure on reports to do with the item list; and purchases, sales and stock transactions.

## Setting up different units of measure

You can now keep track of how you purchase, stock and sell your items with the units of measure feature. Different units of measure can be set up for Stock Part and Stock Assembly type items. The association between an item's units of measure cannot be changed once a transaction involving the item is recorded. Therefore, if you have a quantity on hand for an item, you must set up its units of measure before entering an amount in the Quantity on Hand field.

- 1 From the Lists menu, choose Item List.
- 2 From the Item menu button, choose New.
- 3 From the Type field of the New Item window, choose Stock Part or Stock Assembly, and then click the Units of Measure button. The Define Units of Measure window appears.

Type the unit of measure you use to stock the item.

Clear this box and type the unit you use when selling the item.

Define Units of Measure for unnamed item

Stocking Unit  
I stock this item in

Sales Unit  
☒ Same as Stocking  
I sell this item by  
Association to Stocking 1 per

Purchasing Unit  
☒ Same as Stocking  
I purchase this item by  
Association to Stocking 1 per

OK  
Cancel  
Help

\* Once a transaction has been created using this item, units of measure cannot be changed

Enter the number of selling units that make up a stocking unit, or vice versa.

If the purchasing unit is the same as the stocking unit, keep this box checked. If the purchasing unit is different, clear the box, and set up the purchasing unit the same way the selling unit was set up.

- 4 Click **OK**.

## Using items that have different units of measure on forms

Once units of measure are set up for an item, the item's appropriate unit of measure is then displayed on business forms. Sales forms show the selling units, and purchasing forms show purchasing units. On forms, you cannot switch to a different unit of measure.

Expenses		£ 0.00		Items		£ 3.53		<input type="checkbox"/> Amts inc VAT	
Item	Description	Qty	Unit	Cost	VAT	Net Amt	VAT Amt	Customer: Job	
Soda Pop		1	case	3.00	5	3.00	0.53		

### Bills

When entering a bill, an item's purchasing unit is shown. If we were to cite the example shown above, you'd see that the purchasing unit for Soda

Pop is a case. QuickBooks understands this to mean 12 cans as defined by the item's selling units of measure.

Item	Qty	Unit	Description	Rate	Amount	VAT
Soda Pop	1	can		1.50	1.50	5

### Invoices

When that same item is added to an invoice, however, the unit displayed is the selling unit.

**Tip:** You can enter fractional or decimal values on forms. For example, if you purchased only half a case of soda that you usually purchase by the case, you could enter 0.5 or 1/2 (a fraction value) on your bill.

## Assigning a label to Service & Non-stock Part items

A descriptive label can be added to Service and Non-stock Part items (with units of measure turned on) to help identify the unit of measure or rate that is used for these items. Different units of measure cannot be tracked for these item types. These labels act only as a title, and when created, are displayed on business forms and reports.

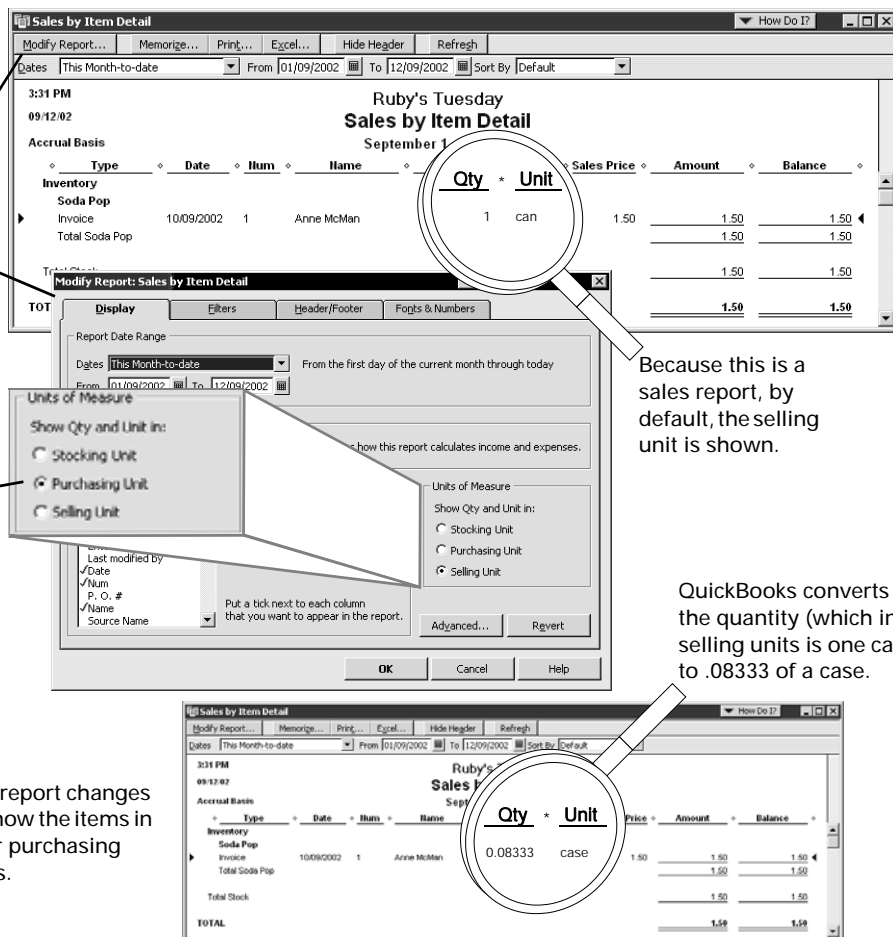
## Reporting in different units of measure

By default, some reports display an item's unit of measure. The unit that is displayed depends on the report being created. For example, a "Purchase by Item Summary" report displays the purchasing units of measure, whereas the "Sales by Item Summary" report displays the selling units. You can change the reports to display in the units you want through the Modify Report window.

① If you want to see the purchasing unit on this report, click Modify Report.

② In the Modify Report window, select Purchasing Unit so that the data on the report is shown in the purchasing unit of measure.

The report changes to show the items in their purchasing units.



Because this is a sales report, by default, the selling unit is shown.

QuickBooks converts the quantity (which in selling units is one can) to .08333 of a case.

## Adding items to your Item or Fixed Asset Item list

As the table starting on page 31 shows, QuickBooks has several different item types. Here is some general information about what to enter for most types of items when adding a new item to your Item or Fixed Asset Item list.

Information to enter	How QuickBooks uses this information
Type of item	<p>After you choose the item type, QuickBooks requests only the information it requires for that particular item type. (Note: You cannot create fixed asset items from the Item list. Use the Fixed Asset Item list to do so.)</p> <p>After you set up an item, depending on the type, you may not be able to change it to a different type.</p>
Item name or code	Displays this name or number on reports of items and in the drop-down list in the <b>Item</b> field (for example, on sales forms).
Item description (optional on all but fixed assets)	<p>Prefills the entire description in the <b>Description</b> field of sales or purchase forms. Displays the beginning of the description in the drop-down list in the <b>Item</b> field.</p> <p>You can set up some types of items to have separate descriptions for sales and for purchases.</p>
Rate or price (optional)	<p>Prefills the rate or price in the <b>Rate</b> or <b>Price</b> fields of sales or purchase forms. Some types of items can have a rate that is a percentage.</p> <p>You can set up some types of items to have separate rates or prices for sales and for purchases.</p>
Account or accounts	<p>Profit and loss statements report on the income or expense account associated with items used in transactions.</p> <p>You can set up some types of items to have separate accounts for sales and for purchases.</p> <p>Some types of items (for example, payment items) require a balance sheet account instead of an income or expense account. Stock items require three separate accounts.</p>
Default VAT code	QuickBooks applies VAT to the item based upon the rate(s) defined in the VAT list. You can override this VAT Code on the sales form.
Subitem status	If this field appears, you can make an item a subitem of an existing item. QuickBooks displays subitems of the same item together.
Custom fields (optional)	You can set up custom fields that fill your company's needs (for example, size). You can also customise sales and purchase forms to display a column for a custom field. Then QuickBooks prefills the column with the custom field information for the item.



## To learn about...

Adding a new item for one of the following:

- A service
- An assembled product that you purchase or build yourself
- A product or part that is not held in stock
- A fixed asset
- A miscellaneous charge

setting up different units of measure

Adding a new item for a product or part held in stock

Adding a new item that puts a group of several items on a sales or purchase form

Adding a new item that calculates a subtotal

Adding a new item that calculates a discount on a sales form

Adding a new item that records a customer payment or deposit received at the time of sale

Adding a new item that calculates a VAT

Adding a new item that calculates the total VAT for a combination of VAT rates

Creating subitems of another item

Creating custom fields for items

Turning VAT on

## Search the Help index for...

- items, services
- items, stock assembly
- items, non-stock parts
- items, fixed assets
- items, miscellaneous charges

items, units of measure

items, stock

items, grouped together

items, subtotal types

items, discount types

items, payment types

items, VAT

items, subitems

items, subitems

items, custom fields on

VAT, setting up



# Items for reimbursable costs (QuickBooks Pro or higher)

Perhaps your business purchases services or products for specific customers or jobs, then invoices the customer for the items (with or without markup). For example, Frank is a general contractor who uses subcontractors and invoices for their costs at a higher rate than what they charge him. Tina is an interior designer who buys furniture at wholesale and sells it to the client at retail.

In QuickBooks Pro and higher, only service items, non-stock parts, and other charge items have a checkbox that allows you to pass through their costs at a markup and track costs and revenues in separate accounts.

Then you can track both the expenses and the income for these items for a particular job. (For example, the checkbox for a non-stock part is "This item is purchased for and sold to a specific customer:job.")

**Note:** If you don't have QuickBooks Pro or higher, use expense accounts, not items, for reimbursable costs.



To learn about...	Search the Help index for...
using expense accounts for reimbursable costs	reimbursable expenses, assigning to a customer or job

There are several advantages to using items for reimbursable costs in QuickBooks Pro or higher Editions:

- It is easy to associate the cost of an item with an expense account and the income with a separate income account when you set up the item.
- You can track the number of units or hours purchased or sold.
- You can use items on estimates and purchase orders.
- If you write a purchase order for an item, you can create a bill from the purchase order and assign a job. Then you can invoice the customer for the item.
- When you enter a bill, cheque, or credit card charge, QuickBooks Pro and higher Editions fill in the description of the item and the unit cost after you choose the item from the drop-down list on the Items tab.
- When you invoice the customer for the cost of the item, QuickBooks Pro and higher Editions fill in the sales description of the item and the sales price.
- You can create reports that compare costs to revenues for each item.



To learn about...	Search the Help index for...
invoicing for reimbursable time and costs	reimbursable expenses, assigning to a customer or job

# Services performed by subcontractors or owners

If you charge for services performed by outside subcontractors or you pay owners (or partners) for time worked, set up a service item for each type of service. Be sure to select the checkbox **“This service is performed by a subcontractor, owner, or partner.”** Then you can designate separate income and expense (or equity) accounts, and separate descriptions for sales and purchases.

You can enter different hourly rates for your cost and the sales price to your customer. If you write cheques based on time tracked or enter the item on a purchase order, purchase, or estimate, QuickBooks fills in the rate from the **Cost** field. If you enter the item on a sales form, QuickBooks fills in the rate from the **Sales Price** field. However, if the subcontracted service is usually billed as a flat fee, and the fee varies, leave the **Cost** and **Sales Price** fields 0.00 when you set up the item.

If you pay owners (or partners) and suppliers for the same service, you need separate service items because the accounts for the costs must be different.



## To learn about...

separate service items

## Search the Help index for...

service items, creating items for services you sell or buy

# Products and materials purchased for a job

If you invoice for actual costs of products and materials purchased for a specific customer or job, set up a non-stock part item for each type of product or service. Be sure to select the check box for **“This item is purchased for and sold to a specific customer:job.”** Then you can designate separate income and expense accounts, and separate descriptions for sales and purchases.

You can enter different rates for your cost and the sales price to your customer. However, if the cost of the product or material varies, leave the **Cost** and **Sales Price** fields at 0.00 when you set up the non-stock part item.

**Tip:** To further aid in tracking the item, you can also specify the customer and job on the purchase order. When you receive the item, this information prefills on the item receipt or bill. Use the open purchase orders by job report to find out which items are still on order for your customers.

## Miscellaneous charges you pass on

If you invoice for miscellaneous charges incurred on a job, you can set up an other charge item for each type of miscellaneous charge. For example, Frank has an other charge item called Equipment Rental. Be sure to tick the checkbox for “This is a reimbursable charge.” Then you can designate separate income and expense accounts, and separate descriptions for sales and purchases.

As with products and materials, you can enter different cost and sales prices or leave the fields at 0.00 when you set up the other charge item.

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## Working with items

After you have set up items, use them to enter estimates, sales, purchase orders, sales orders, actual purchases, and disposition of fixed assets. Remember, QuickBooks uses the term *sales* broadly; it can mean the performance of services or the assessment of fees as well as the sale of products.

You can enter all item types listed in the table on page 31 on any sales form. You can enter all but payment items on estimates and sales orders. However, you can't enter the following item types on purchase orders or purchases (on the Items tab of bills, cheques, and credit card charges):

- Other charge items set up as a percentage
- Discount items
- Payment items



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### To learn about...

Recording discounts from suppliers

Entering payments to suppliers

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### Search the Help index for...

discounts, from suppliers

suppliers, paying (then Paying bills)

---

## Using items, saving time

When you fill out a sales form, you list each service, product, or fixed asset you're selling on its own line of the invoice or sales receipt, along with the amount the customer owes for that item. Similarly, when you write a purchase order or receive a bill, each service, product, or fixed asset is listed on its own line.

Because information about individual items is listed on separate lines, the items are called "line items". In QuickBooks, you enter line items by choosing from the drop-down list in the **Item** field of a sales or purchase form. You can also type in the **Item** field and let QuickBooks fill in the rest of the item's name.

Enter an item in the Item field by typing or by choosing from the drop-down list.

Item	Description	Qty	Rate	VAT	VAT AMT	Class	Amount
< Add New >							
Fitting	Fitting kitchen						
Plumbing	Plumbing						
Chairs							
Oak chair	Oak chair						
Pine chair	Pine chair						
Dressers							
Oak Welsh dresser	Oak Welsh dresser						
Pine Welsh dresser	Pine Welsh dresser						
Pine Kitchen Cabinets							
Pine base cabinet	Pine base cabinet						
Pine base with drawer	Pine base cabinet ...						
Pine double wall	Pine double wall c...						
Pine single wall	Pine single wall c...						
Sinks							
Butler's sink	Butler's sink						
Double sink	Double sink						
Tables							
Oak table	Oak table						

Each item on the Item list can contain all the information you need to fill in one line. You can always change the information, such as the description and rate, as you're filling in a form.

When you enter a quantity, QuickBooks automatically calculates the amount.

The Item column lists the item name you entered when you created the item.

QuickBooks multiplies the Qty by the Rate to calculate the Amount.

When you enter items, QuickBooks keeps track of how much of each item you sell and to whom.

Item	Description	Qty	Rate	VAT	VAT AMT	Class	Amount
Chairs:Oak chair	Oak chair	4	50.00	5	35.00		200.00
Tables:Oak table	Oak table	1	250.00	5	43.75		250.00
Customer Message	Thank you for your business.					VAT TOTAL	78.75
						Total	528.75

Each item that you sell is associated with an income account.

This association allows QuickBooks to provide useful sales and income reports.

You'll have separate items not only for each service rendered and each product sold, but also for discounts, markups, VAT, and subtotals. If the customer makes a partial payment at the time of the sale, you can add an item for the payment.

## Using items to subtotal on sales forms

The subtotal item adds up the amounts of the items above it, up to the last subtotal.

You'll need a subtotal item if you ever want to apply a percentage discount or surcharge to several items. Because QuickBooks calculates percentages on the line above, you'll need to subtotal the items before entering the percentage line item.

If you use two subtotals in a row, the last subtotal will add up all the previous subtotals on the form.

The first subtotal line shows a total for all materials.

The second subtotal shows a total for all labour.

The second subtotal also makes the third subtotal include all amounts on the invoice, so a percentage markup can apply to the total sale.

Item	Description	Qty	Rate	VAT	VAT AMT	Class	Amount
Chairs:Oak chair	Oak chair	4	50.00	5	35.00		200.00
Tables:Oak table	Oak table	1	250.00	5	43.75		250.00
Dressers:Oak ...	Oak Welsh		400.00	5	70.00		400.00
Subtotal							850.00
Work Tops:Gra...	Granite worktop		85.00	5	14.88		85.00
Labour	Work top installation	3	20.00				60.00
Subtotal							145.00
Subtotal							995.00
Markup			15.0%				149.25
Customer Message	Thank you for your business.						
					VAT TOTAL		163.63
					Total		1,307.88

The third subtotal line adds up the two previous subtotals, so that a markup can be applied to the entire sale.

## Entering a group of items

The group item allows you to enter several items all at once on a sales form, estimate, purchase order, cheque, or bill. If you often sell the same group of items together, using a group item saves you the trouble of entering the same set of line items again and again.

When you use a group item, you can enter a quantity for the group that affects the quantity and amount of each item in the group. You can also edit the individual quantity of each item in the group, and edit descriptions and rates.

## Using a group item to hide details on a sales form

The more detailed you are in tracking items, the more information you can get from reports. The QuickBooks group item allows you to be very detailed in tracking the items you sell without showing all that detail to your customers. When you set up a group item, you specify whether to print each item or just the group item. (Of course, if you use a group item on a purchase order, you must show the detail to the supplier so the supplier will know what you want.)

For example, Stacy has a renovation company that sends invoices for full jobs, such as complete remodels. If he used one general service item called “Remodel”, a sales report would show income from remodels.

The screenshot shows a QuickBooks sales form with a single line item. The table has columns: Item, Description, Qty, Rate, VAT, VAT AMT, Class, and Amount. The 'Remodel' item has a rate of 2,481.63 and an amount of 2,481.63. Below the table, there is a 'Customer Message' field with the text 'It's been a pleasure working with you!'. The 'VAT TOTAL' is 366.63, and the 'Total' is 2,481.63. At the bottom, there are checkboxes for 'To be printed' and 'Amts inc VAT', a 'Balance' field with 2,481.63, and buttons for 'Memo', 'Final Invoice, Singh kitchen', 'Save & Close', 'Save & New', and 'Clear'.

Item	Description	Qty	Rate	VAT	VAT AMT	Class	Amount
Remodel			2,481.63				2,481.63

Customer Message: It's been a pleasure working with you!

VAT TOTAL: 366.63

Total: 2,481.63

Balance: 2,481.63

Buttons: Memo, Final Invoice, Singh kitchen, Save & Close, Save & New, Clear

If you use very general items, like this one, your reports won't be as useful as if you used detailed items grouped together.

However, Stacey uses more detailed items, to learn more from the sales reports. Stacy breaks down the remodel cost and uses items such as fitting, plumbing, cabinetry, sinks and work tops, and labourer.

Stacy groups these items under one item called “Remodel”. Even though he chooses not to print the items in the group on the invoice for his customers to see, he still has those details on his sales reports.

The screenshot shows a QuickBooks sales form with multiple line items. The table has columns: Item, Description, Qty, Rate, VAT, VAT AMT, Class, and Amount. The items are: Fitting (Fitting kitchen, 1, 50.00, 8.75, 50.00), Plumbing (Plumbing, 8, 60.00, 84.00, 480.00), Pine Kitchen Ca... (Pine base cabinet, 4, 140.00, 98.00, 560.00), Pine Kitchen Ca... (Pine base cabinet with drawer, 2, 170.00, 59.50, 340.00), Pine Kitchen Ca... (Pine double wall cabinet, 2, 150.00, 52.50, 300.00), Pine Kitchen Ca... (Pine single wall cabinet, 3, 70.00, 36.75, 210.00), Sinks:Double sink (Double sink, 1, 70.00, 12.25, 70.00), Work Tops:Gra... (Granite worktop, 1, 85.00, 14.88, 85.00), and Labour (Cabinet & Work top install, 24, 20.00, 20.00). The 'VAT TOTAL' is 366.63, and the 'Total' is 2,481.63. The 'Customer Message' field is empty.

Item	Description	Qty	Rate	VAT	VAT AMT	Class	Amount
Fitting	Fitting kitchen	1	50.00	5	8.75		50.00
Plumbing	Plumbing	8	60.00	5	84.00		480.00
Pine Kitchen Ca...	Pine base cabinet	4	140.00	5	98.00		560.00
Pine Kitchen Ca...	Pine base cabinet with drawer	2	170.00	5	59.50		340.00
Pine Kitchen Ca...	Pine double wall cabinet	2	150.00	5	52.50		300.00
Pine Kitchen Ca...	Pine single wall cabinet	3	70.00	5	36.75		210.00
Sinks:Double sink	Double sink	1	70.00	5	12.25		70.00
Work Tops:Gra...	Granite worktop	1	85.00	5	14.88		85.00
Labour	Cabinet & Work top install	24	20.00	5	20.00		20.00

Customer Message:

VAT TOTAL: 366.63

Total: 2,481.63

QuickBooks shows you the items in the group onscreen, whether you choose to print them or not.

## Applying a discount to one or more items

To apply a discount, you have to enter a discount item. If the discount item's rate is a percentage, the item reduces the amount due by a percentage of the line above it.

To take a percentage off several items at once, you must first subtotal the items. On the other hand, if you want to discount one particular item you've sold and not the entire sale, add a discount item directly beneath the one discounted item.

The first line shows a total for all materials.

The second subtotal shows a total for all labour.

The second subtotal also makes the third subtotal include the amounts on the invoice, so a percentage markup can apply to the total sale.

Item	Qty	Description	Rate	Amount	Tax
Features: Tub, Jet		Jetted bathtub, Canadian Classic	1,365.00	1,365.00	\$
Features: Washbasin		Oval Cdn Classic washbasin, marble	364.00	364.00	\$
Subtotal		Materials subtotal		1,729.00	
Labour: Constructio 16.5		Labour (Framing)	40.00	660.00	E
Labour: Constructio 8		Electrical, Plumbing	75.00	600.00	E
Subtotal		Labour subtotal		1,260.00	
Subtotal		Materials & Labour subtotal	30.0%	2,989.00	
Markup		Profit & Overhead		896.70	\$
Customer Message: Thank you for your business.			GST	183.80	
			PST	210.06	
Total				4,279.56	

The third subtotal line adds up the two previous subtotals, so that a markup can be applied to the entire sale.

If you give discounts of different percentages, you can either set up a separate discount item for each percentage or edit the amount right on the sales form.



Don't use a discount item for discounts that you give for early payment.

Enter discounts for early payment through the Receive Payments window. Search the help index for receiving "payments, about".

## Showing partial payments received at the time of sale

If you receive a partial payment toward the amount of an invoice at the time you create the invoice, you'll need to enter a payment item.

The payment item tells QuickBooks to subtract the amount of the payment from the total invoice amount. To record the payment on the invoice, enter a payment item for the amount you've received after you've entered all the items sold.

Use a payment item when you receive a partial payment at or before the time you create the invoice.

Item	Description	Qty	Rate	VAT	VAT AMT	Class	Amount
	drawer						
Pine Kitchen Ca...	Pine double wall cabinet	2	150.00	5	52.50		300.00
Pine Kitchen Ca...	Pine single wall cabinet	3	70.00	5	36.75		210.00
Sinks:Double sink	Double sink	1	70.00	5	12.25		70.00
Work Tops:Gra...	Granite worktop	1	85.00	5	14.88		85.00
Labour	Cabinet & Work top install	24	20.00				480.00
Deposit	Partial Payment, final amount due upon completion				0.00		-1,000.00
Customer Message Thank you for your business.							
VAT TOTAL							366.63
Total							1,941.63

QuickBooks subtracts a payment item amount from the invoice total.

You can set up a payment item so that it automatically deposits the payment directly to a current or other account. Alternatively, you can set it up so that QuickBooks automatically puts the payment amount into your Undeposited Funds account so you can deposit it with other funds.



### To learn about...

Receiving and depositing payments

### Search the Help index for...

receiving payments, Receiving payments toward a statement

If you need to track the payment method (cheque, cash, credit card charge), you can have different payment items for different methods of payment.

Using a payment item is not the only way to record a payment. For some types of payment, you should use a different method:

Type of payment	How to record in QuickBooks
Partial payment received at time of sale	Enter payment item on invoice.
Full payment received at time of sale	Use sales receipt, not invoice. No payment item is necessary, because QuickBooks assumes sale is fully paid.
Summary of payments, by method, for daily sales summary	Use sales receipt to summarize the daily sales. Enter a different payment item for the summary of each payment method.
Payment from customer to pay outstanding invoice or statement	Enter payment in Receive Payments window. Indicate which invoices or statement charges have been paid by the payment.
Advance payment from customer before work is done or sale is made.	Use <i>one</i> of the following options: <ul style="list-style-type: none"> <li>■ Enter payment in Receive Payments window.</li> <li>■ Enter payment item on a credit memo.</li> <li>■ Record a retainer. See the QuickBooks and Your Industry help for law firms, or Look in the Help Index for retainers.</li> </ul>



Avoid entering double payments.

If you receive payment before the sale and record a deposit before you record the invoice, do not also enter a payment item on the invoice or you will record a double payment.



# Changing prices or rates

You can easily change the prices or rates of more than one item through the Change Item Prices window. You can get to this window on the Items list by click the Activities menu button. In this window, you can tell QuickBooks to raise (or lower) prices or rates by a specified amount or percentage. You can change prices or rates for items individually, or have QuickBooks calculate new prices or rates on several or all items of the same type at once.

If you want to automatically apply an increase or decrease to stock, non-stock, and service items, you can use price levels. Price levels allow you to automatically adjust, up or down, the amount charged to customers with whom you have a special relationship. When you apply a price level to an item, QuickBooks calculates the rate to reflect the increase or decrease.



To learn about...	Search the Help index for...
Changing prices or rates of items	items, prices
Price levels	price levels

# Editing item information

After you've created an item, you can edit information about it at any time, subject to certain restrictions.

## Changing item type

In QuickBooks Regular, Pro, and higher, you can change a non-stock part or other charge item to a service, non-stock part, stock part, or other charge item. However, you cannot change the item type of any other type of item.

## Hiding and redisplaying items on lists

You can hide an item on the Item or Fixed Asset Item list without deleting it by making the item inactive. For example, you may have a stock item on your Item list that you have not stocked in the last six months, but which you may want to stock in the future.

When you make an item inactive, QuickBooks keeps the information associated with that item, but hides the item on the Item list and removes it from any drop-down lists that use items. You do not need to change or delete any transaction that uses the item. If you start to use the item again, you can make it active at any time.

You can display all your items, including the inactive ones, on the Item list by selecting Show All. (Inactive items still appear on reports, but never display on drop-down lists.)

## Deleting items

You can delete an item only if it is not used in any transaction or group item. To locate all transactions that use a given item, create a QuickReport for the item for all dates.

If you condense your QuickBooks data through a specified date (to reduce the file size and remove detail), you can also remove items that are not used after that date. Fixed asset items are not condensed.



### To learn about...

Changing item types

Changing information about an item

Hiding and showing items on the Item list and drop-down lists in Item fields

Making hidden items visible on the Item list as well as on drop-down lists

Deleting items

### Search the Help index for...

items, changing type of

items, editing information

items, hiding and showing

lists, hiding and showing

items, deleting

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## Final steps to complete your setup

### Fine-tune your accounts

QuickBooks sets up a chart of accounts for you during the Interview. Before you begin entering transactions, make sure your chart of accounts is complete and that it accurately represents how your business works.

Change account names and edit, delete, or add accounts to make your chart of accounts reflect your company's financial activity, if you have to.

#### Tip:

You can adjust the opening balances of the accounts in your Chart of Accounts, too. For more information, see "Adjusting opening balances for balance sheet accounts" on page 54.



It's important to decide on an account structure that meets your needs now.

Although you can edit your chart of accounts later if you need to, it's much easier to make changes before you start entering transactions.

You can fine-tune your chart of accounts at any time to do the following:

- Add new accounts or subaccounts.

You can add subaccounts to balance sheet accounts (for example, fixed asset accounts) as well as to income and expense accounts.

- Turn on and use account numbers.

QuickBooks has an option for specifying account numbers in addition to names. If the account is one that QuickBooks added for you, it already has a number but you can change it.

- Change the name or number of an existing account.

- Enter or edit an opening balance for a balance sheet account if the original opening balance is incorrect.

- Arrange accounts of the same type in alphabetical order (or numerical order if account numbers are turned on).

- Rearrange the order of accounts within the same account type.

- Make one existing account the subaccount of another (or, conversely, move a subaccount to a higher level).

You can drag accounts to a new position on the chart of accounts. When your accounts are not in alphabetical or numerical order, and you add a new account, QuickBooks places the new account above the other accounts of the same type.



#### To learn about...

Adding new accounts or subaccounts

Turning on account numbers

Changing account names or numbers

Changing or entering an opening balance for a balance sheet account

Arranging accounts (and other lists) in alphabetical or numerical order

Reorganizing accounts within the same account type; also, reorganizing other lists that allow subentries (for example, customer:Job list)

Remove accounts from your chart of accounts

#### Search the Help index for...

accounts (managing), adding

accounts (managing), numbering

accounts (managing), editing

- opening balances, changing for existing accounts

- opening balances, entering for existing accounts

lists, sorting entries

lists, reorganizing entries

accounts, deleting

## Using account numbers

To better maintain your chart of accounts, develop and follow consistent account naming and numbering conventions. For example, some accountants like you to add a numbering scheme to your accounts:

■ 1000-1999 - Assets	■ 2000-2999 - Liabilities
■ 3000-3999 - Equity	■ 4000-4999 - Income
■ 5000-5999 - Expenses	■ 6000-6999 - Other income and expenses

Adding numbers can help you identify the type of accounts, thereby speeding up your account selection on various forms.



### To learn about...

Changing your chart of accounts

### Search the Help index for...

- accounts, adding
- accounts, editing
- accounts, deleting

## Enter your company's historical transactions

If you've decided on a start date that is before today's date, you'll need to enter past transactions to have complete financial records from your start date forward. Then your QuickBooks records will be as complete as if you had started using the software on your start date.



The order you enter historical transactions is important.

For example, QuickBooks won't know how to credit a customer payment unless you've previously recorded the invoice to that customer.

Enter historical transactions in this order:

- 1 Invoices you've sent out since your start date
- 2 Purchase orders you've issued since your start date that have not been received in full
- 3 Cash or cheques for these invoices you've received since your start date
- 4 Bills you've received since your start date
- 5 Bills you've paid since your start date
- 6 Deposits you've made to any of your accounts since your start date
- 7 Any other payments you've made (for things other than bills) since your start date

Enter transactions in your bank account last, because your accounts payable and accounts receivable affect your bank account. By the time you enter all of your historical transactions, your cheque register will be mostly up-to-date.



To learn about...

Entering historical information

Search the Help index for...

historical transactions

## Entering current transactions with historical ones

You don't have to enter all your historical transactions before you start using QuickBooks for your current ones. Enter current transactions as they occur so you don't get behind. Then catch up with historical transactions when you can. Remember, though, that your account balances will be off until you've entered all the past transactions.

If current and historical transactions are related, enter the earlier one first. For example, if you receive a payment today for an invoice you have not yet entered, enter the invoice first and then use QuickBooks to record the payment. That way, QuickBooks links your transactions correctly to each other.

## Entering historical payroll information

If you are going to use QuickBooks payroll, enter historical payroll information so QuickBooks has complete year-to-date records of wages and salaries you've paid. QuickBooks needs this information to compute accurate tax information and payroll reports. See "Setting up payroll: an overview" on page 165 for more information



To learn about...

Entering historical payroll information

Search the Help index for...

payroll setup, year-to-date amounts

## Entering bank account information

If you entered all your historical transactions, your current account or savings account register already contains entries reflecting bills you've paid, cheques you've written for other purposes, and deposits you've received. But there are other transactions that you must enter to make your account registers complete:

- Cheques or other payments you created before your start date but weren't cashed until after your start date (for example, cheques written a few months ago but not cashed until recently).
- Deposits you made before your start date, but which didn't appear on statements until after your start date.
- Cheques or other payments you made after your start date that were not for bills or accounts payable (credit card payments, for example).
- Deposits made after your start date that were not customer payments.
- Bank charges, fees, or interest paid to your account.



### To learn about...

Entering information in account registers

### Search the Help index for...

registers, entering transactions in

## Complete your customer, supplier, and item information

During the Interview, you entered information about customer and supplier open balances. Now you need to enter more information, such as addresses, phone numbers, and credit limits—though it's not necessary to enter this information for all customers and suppliers at once.

**Note:** If you use QuickBooks Pro or higher and ACT! or Microsoft Outlook, you can synchronise information about customers and suppliers, such as addresses and phone numbers, from your contact manager so that you don't have to re-enter it. To learn about synchronising contact information, search the Help index for "contact management, synchronising". The Customer Manager also does all this and much more. Call Intuit to learn how the Customer Manager can save you time and money.

Items are the goods, services, and other things you buy and sell. QuickBooks starts a list of items when you go through the Interview, but you'll want to add to this list and refine the information you've already entered.



### To learn about...

Adding a new customer

Adding a new supplier

Item types and uses

### Search the Help index for...

customers, adding

suppliers, adding

items, about

## Adjusting opening balances for balance sheet accounts

After creating your company in the Interview, you may need to enter additional opening balances or make adjustments to the account balances you've entered.

To adjust an opening balance for an account:

- 1 From the Lists menu, choose Chart of Accounts.
- 2 Double-click the account that should have an opening balance.
- 3 Click anywhere on a blank entry at the end of the register.
- 4 Change today's date to your QuickBooks start date.
- 5 Leave the Ref and Payee fields blank.
- 6 Enter the opening balance amount.
  - For bank accounts, enter the amount in the Deposit column.
  - For asset, liability or equity accounts, enter the amount in the Increase column.
  - For credit card accounts, enter the amount in the Charge column.
- 7 In the Account field, choose Opening Bal Equity from the drop-down list.

**Note:** If you have not entered an opening balance for any of your accounts, you will have to create an Opening Bal Equity account.

## 8 Click **Record**.

These accounts may also need adjusting:

- If you collect VAT, record the amount you owe as of your start date.

If you have entered your historical invoices and purchases, do not include the amount you owe since your start date (as the VAT you collected is included on them).

Instead, check whether you owe more than the invoices cover, and if so, adjust your VAT liability accordingly. For more information, see “Setting up VAT tracking” on page 123.



### To learn about...

Recording the VAT you owed as of your start date

Adjusting your VAT liability

### Search the Help index for...

VAT, historical data

VAT, adjusting

- Adjust the Uncategorized Income and Uncategorized Expenses accounts (if you're using accrual-basis accounting).

When you enter unpaid opening balances for customers, QuickBooks assigns the income to an account called Uncategorized Income. Similarly, when you enter unpaid balances owing for suppliers, QuickBooks assigns the expenses to the Uncategorized Expenses account.

**If you keep your books on a cash basis** (you record income when you receive payment), QuickBooks does not show these two accounts on your profit and loss statement until a customer makes a payment, which is the expected behaviour. You do not need to make any adjustments.

**If you keep your books on an accrual basis** (you record the transaction when you make a sale or incur an expense), QuickBooks does show these two accounts on your profit and loss statement as of your start date. Your accountant may want you to make an adjustment so that the income from all invoices and the expenses from all bills before the start date are also tracked on an accrual basis, regardless of whether payment has occurred. Ask your accountant whether this situation applies to you.



### To learn about...

Adjusting for Uncategorized Income and Uncategorized Expenses

### Search the Help index for...

- Uncategorized Expense account
- Uncategorized Income account

- Adjust for current income and expenses if your start date is not at the beginning of your financial year.

If you set up your company in QuickBooks with a midyear start date and you know what your income and expenses are from the beginning of your financial year to your start date, you can enter adjustments for them. Then, when you create a profit and loss statement in QuickBooks, it will be accurate from the beginning of the financial year to any date after your start date.

To get this information, have your accountant create a year-to-date profit and loss statement (also called an income statement) for your current financial year through your start date.



#### To learn about...

Adjusting income and expenses for midyear setup

#### Search the Help index for...

adjustments, income and expenses

- Distribute earnings and equity from before your start date.

After you have entered all of your opening balances and made other adjustments, you may want to distribute the amount in your Opening Bal Equity account to other equity accounts if you want to identify retained earnings or the equity of several owners.



#### To learn about...

Distributing earnings and equity from before your start date

Equity carried over from previous financial periods

Moving the amount in the Opening Bal Equity account to other equity accounts

#### Search the Help index for...

Opening Bal Equity account

equity, retained earnings from

equity, transferring from Opening Bal Equity

## Setting up accounts to track equity details

Your company's equity comes from two sources:

- Money invested in your company (capital investments)
- Profits of your company

Of course, the owner can also take money out of the company. Such withdrawals, called owner's drawings, reduce the company equity.



QuickBooks sets up two equity accounts automatically:

- **Opening Bal Equity**

For every balance sheet account you set up with an opening balance, QuickBooks records the amount of the opening balance in the Opening Bal Equity account. (Asset account opening balances increase the equity; liability account opening balances decrease the equity.)

- **Retained Earnings**

If you have data for more than one financial year, the QuickBooks balance sheet has a balance for the Retained Earnings account equal to the net profit from prior financial years. The balance for the Retained Earnings account does not display on the chart of accounts.

Some people like to track owner investments, owner's draws, and retained earnings prior to the QuickBooks start date by putting them in separate equity accounts. If you decide to add additional equity accounts, QuickBooks still adds the Retained Earnings and Net Income lines on your balance sheet.

## Equity accounts for sole traders

Because all equity of a sole traders company belongs to one person, tracking equity can be very simple.

As of your QuickBooks start date, all equity is in the Opening Bal Equity account. You have several options:

- Keep the equity in this account and perhaps rename the account to something such as *Owner's Equity*.
- Transfer all the equity out of Opening Bal Equity into Retained Earnings.  
This action is appropriate for companies that have built up assets as a result of earnings prior to the QuickBooks start date. From now on, you can take owner's drawing out of the Retained Earnings account.
- Set up additional accounts (or subaccounts) to track owner's investments, owner's drawings, and earnings before your QuickBooks start date.

**Tip:** When setting up a new account for owner's drawings, enter a negative opening balance to show the total drawings prior to the QuickBooks start date. The negative opening balance indicates that the drawings have reduced the company's equity. (Or, enter a zero opening balance and simply record drawings from now on.)

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# Things to consider after your company file is set up

## Create reports to check your setup

After you've finished setting up your company in QuickBooks and making any adjustments, create reports to check that QuickBooks has the right numbers.

In both QuickBooks and your former accounting system, create a profit and loss statement and a balance sheet. Each report should cover the beginning of your financial year through to your QuickBooks start date. For example, if your financial year began on 6 April and your start date was 1 September, create reports that cover 6 April to 1 September.

Both reports should show the same balances for your accounts.

## Maintain your previous accounting system

If your business existed before you began to use QuickBooks, make sure you keep your records and your previous accounting software in case the HM Revenue & Customs requires prior year information.

## Set up other company files, if needed

If you use QuickBooks with more than one company, and therefore have more than one company file, you should keep them all in the same directory.

If you update QuickBooks, download tax tables, receive tax alerts, and so forth, you may have to download multiple copies of the new information if the company files are in different directories.

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# Connecting QuickBooks to the Internet

## What you need

Your PC must be connected to the Internet through an Internet Service Provider (ISP). Your work PC may be connected through a local area network (LAN). If you can read e-mail or browse the Web, you are connected to the Internet.

## Why connect QuickBooks to the Internet?

You don't need Internet access to use QuickBooks, but the ability to "go online" can easily double the power and flexibility of your software. It allows you to take advantage of Internet-only features in QuickBooks.

Consider these additional possibilities:

- Explore other opportunities with QuickBooks' connected services  
From the Company menu, select Business Services Navigator.
- Receive QuickBooks updates  
Download and install QuickBooks software updates as they become available.
- Download tax table information  
If you've signed up for the Payroll Service, you can download the latest tax tables.

## If you are a new user

If you're new to QuickBooks, you are prompted to activate QuickBooks, and if you choose to do so online, QuickBooks helps you set up your Internet connection. It's a good idea to register as soon as you can so that you can begin using all of the QuickBooks online features.

**Note:** If you did not activate your copy of QuickBooks immediately after installation, you can do so at any time by choosing **Activate QuickBooks** from the File menu. (If you do not see Activate QuickBooks under the File menu, then QuickBooks is already activated.)

## If you are an upgrader

After you install QuickBooks, you're prompted to activate QuickBooks. It's a good idea to activate as soon as you can so that you can begin using all of the QuickBooks online features.

If you owned a previous version of QuickBooks, QuickBooks 2006 uses the same Internet settings as your previous version. If you have changed your Internet Service Provider between then and now, or switched from using a modem to using a direct connection (for example, cable or DSL), you can change your settings manually.

To set up an Internet connection:

- 1 From the **Help** menu, choose **Internet Connection Setup**.  
If you have not used QuickBooks on your computer before, then the first time you go online (for example, to register your software), QuickBooks automatically launches the Internet Connection Setup wizard.
- 2 Follow the onscreen instructions. Click **Next** to move through the screens. If you need help at any time, click **Help**.
- 3 Click **Done**.

## Changing an Internet connection

If you already have a connection to the Internet, you can modify the connection settings. You can also set up other ways QuickBooks can connect to the Internet. Doing so gives you an alternate way to connect to the Internet if your regular connection is down for some reason.

To change your Internet connection:

- 1 From the QuickBooks **Help** menu, choose **Internet Connection Setup**. The Internet Connection Setup displays.
- 2 Select **Use my computer's Internet connection settings to establish a connection when this application accesses the Internet**.
- 3 Click **Next**.
- 4 In the Connection Setting window, click **Advanced Connection Settings**. The Internet Properties dialogue box appears.
- 5 To create a new dial-up networking connection, click **Add**.  
Follow the onscreen instructions; click **Next** to move through the screens.  
Each Internet connection profile you create, is listed on the first screen of the Internet Connection Setup.

If QuickBooks doesn't detect your Internet connection (for example, you're using certain versions of AOL or CompuServe), try the following:

- Close QuickBooks, then connect to your Internet Service Provider (ISP).
- When you have successfully connected to the Internet, reopen QuickBooks.
- Go to the Internet Connection Setup, and on the "How do you want to connect to the Internet?" screen, select **Use my computer's Internet connection settings to establish a connection when this application accesses the Internet**.

Once you have told QuickBooks that you have a direct connection, you should be able to access QuickBooks' Internet features by connecting to your ISP before opening QuickBooks.

---

# Update QuickBooks to the latest release

From time to time, Intuit provides updates to QuickBooks that are available for downloading from the Internet. These updates might be:

- A maintenance release, which Intuit creates when a problem is discovered and fixed after QuickBooks is delivered to customers.
- A new feature or service.
- Timely information that is relevant to your business.

Some updates require you to exit QuickBooks before the new information goes into effect. In these cases, when you exit QuickBooks, it displays a message asking if you want to install the update. If you choose Yes, QuickBooks closes and installs the update. If you choose No, QuickBooks closes without installing the update.

**Tip:** If you do not have a company file available, but want to update QuickBooks, open one of the sample data files included with QuickBooks, then update the software as you normally would.

If you signed up for the QuickBooks Payroll Service, QuickBooks checks for new tax tables whenever you check for other updates to your software.

## Getting updates from the Internet

In QuickBooks, the Update QuickBooks window gives you a convenient way to download updates from the Intuit server to your computer.

To download an update, you need to have set up QuickBooks to work with an Internet connection (see “Connecting QuickBooks to the Internet” on page 59).

There are several ways to update your version of QuickBooks through the Internet:

- **Automatic Update:** This option prompts you when a new release is available for your version of QuickBooks. If you choose to update when prompted, QuickBooks downloads the necessary files to your computer via the Internet in the background, with little impact on your computer’s performance.
- **Manual Download:** With this method, you decide when to download an update via the Internet to your computer. You can use this method at any time—even if your computer is set up to download updates automatically.
- **Multiuser Update:** When updating multiple users, the new update is downloaded via the Internet, or a CD, to a local server for each user to then download to their computer. Make sure the each copy of QuickBooks you own is always using the same release.

## Automatic updates

By default, QuickBooks is set to receive updates automatically. QuickBooks periodically checks the Intuit server for new updates, and downloads the information gradually at times when your open Internet connection is not being used by another process or application.

Some of the advantages of this method include the following:

- You can download updates without interrupting a QuickBooks session or other tasks you perform with your computer.
- You can download updates whether or not QuickBooks is running (as long as your computer is connected to the Internet).
- You can disconnect from the Internet at any time. When you reconnect to the Internet, QuickBooks resumes downloading at the point it was previously halted.

To turn off Automatic Update:

- 1 From the **File** menu, select **Update QuickBooks**.
- 2 Select **Options**.
- 3 Click **Off** for Automatic Update.
- 4 Click **Save**.
- 5 Close the Update QuickBooks window.

## Manual updates

If you choose to manually update QuickBooks, you should check for updates about once a month. With this method, QuickBooks only begins the downloading process once you click Get Updates in the Update QuickBooks window.

Download times for updates vary depending on the speed of your Internet connection, the size of the update file(s), and the amount of traffic on the Internet. After QuickBooks downloads an update, the programme installs the necessary files to the correct directories or folders on your computer.

To perform a manual update:

- 1 From the **File** menu, choose **Update QuickBooks**.
- 2 Click **Update**.
- 3 Select the updates you want to download by ticking the check box next to the update name. (A tick mark means the update is selected.)
- 4 Click **Get Updates**.

**Note:** Manual updates can also be performed when the Automatic Update option is turned on.

Once the download process is complete, QuickBooks displays the date and time of the download in the Last Checked column. In the File Received column, QuickBooks displays the status of the download. Click the text in the Files Received column for additional details about the download.

## Sharing updates among multiple users

If you use QuickBooks Pro or higher in multi-user mode, you need to install maintenance releases on **each computer** that has QuickBooks installed on it. You can either connect to the Internet from each computer that has QuickBooks installed on it, or you can download the update to one computer on your network and share it (for example, if one or more users don't have Internet access).

QuickBooks sets up a shared location to which updates are downloaded. Then, if any user in a multi-user environment downloads and installs an update, QuickBooks detects it and prompts each of the users—as they exit the programme—to install the new version.

To share updates, you need to be sure that all your users can access the location on your network where the updates are downloaded:

- All of the QuickBooks computers must be properly networked.
- Each computer must be configured to share files across the network.

Finally, all QuickBooks Pro users on your network must complete the following steps:

To change the download location:

- 1 Open the shared company file.
- 2 From the **File** menu, choose **Update QuickBooks**.
- 3 Click **Options**.
- 4 In the Options windows, click **ON** for the Share Download option.
- 5 Click **Save**.

## Updates from a CD-ROM

If you don't have Internet access, you can have an update mailed to you on a CD-ROM (subject to availability and fees may apply). For more information, contact Customer Service (see page 261).

When you receive the CD, install the update as you would install any other software.

Before installing from a CD...

- 1 Ensure your QuickBooks licence key is recorded somewhere safe. We've provided a space for you to record your licence key number on the second page of this guide.
  - To find licence key, select **About QuickBooks** from the **Help** menu.
- 2 Back up your company file(s).

To install your QuickBooks update:

These instructions may change from time to time. When this is the case, you'll receive up-to-date install instructions with the Update package.

- 1 Shut down all open programmes, including QuickBooks and any virus protection software you may have. Some virus protection programmes can interfere with the installation.
- 2 Insert the CD-ROM in your computer's CD-ROM drive.
- 3 Open Windows Explorer and select the correct CD-ROM drive.
- 4 Open the folder that matches the version of QuickBooks you are currently using.
- 5 Double-click **Setup.exe** and follow the instructions on your screen.
- 6 Review the **Readme.txt** file on your CD-ROM. It contains important information about how your software is affected by this update, and what you should do next.

## Set number, currency, time, and date formats in QuickBooks

Your settings in the Regional Options of Microsoft Windows affect how QuickBooks displays numbers, currency, time, and dates.

To check your Windows Regional Options settings:

- 1 From the Windows Start button, select **Control Panel**.
- 2 Choose **Regional Options** or **Regional Settings**, depending on the version of Windows you're using.



## Importing and exporting data

Converting data from Quicken	66
Importing from / exporting to other software	77
Exporting data for your accountant (Accountant's Review)	80

### How do I bring my data into QuickBooks?

Congratulations on your decision to move to QuickBooks! Now you need to convert your data from your former accounting software. You may also want to make some adjustments to your company file to take full advantage of QuickBooks features. In this chapter, you'll find information about moving information to QuickBooks.

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# Converting data from Quicken

This section explains how to convert your Quicken data to QuickBooks data and some of the differences between the two programs. After you finish converting, you'll want to make some adjustments to your new QuickBooks company to take advantage of the QuickBooks features that Quicken does not offer.



Before you convert, back up your Quicken data file.

If you plan to continue using Quicken with this data (for example, if you have both business and personal data in your Quicken file), make a copy of the Quicken file **before** you make changes. For instructions on backing up a Quicken file, see the documentation that came with your software.

QuickBooks data files are not compatible with and cannot be converted back to Quicken data files.

**Note:** Do not uninstall Quicken before installing QuickBooks and converting to it.

## Preparing your Quicken data for conversion

To make the transition to QuickBooks as smooth as possible, you may need to make some changes to your:

- Quicken Account list
- Online banking accounts
- Names of customers on accounts receivable transactions
- Memorised Transaction list

## Convert only the accounts you want to use in QuickBooks

Before you convert to QuickBooks, delete all accounts in Quicken that you know you won't want in QuickBooks. (In QuickBooks, you can't delete accounts that have transactions, but, in Quicken, you can. So it's easier to delete the accounts that you don't need in QuickBooks before you convert your Quicken data.)

**Note:** All transfers to and from the deleted accounts will be converted as transactions to your opening balance equity account to ensure that your accounts balance.

You might want to delete accounts from your Quicken file in these situations:

- You have personal accounts as well as business accounts in your Quicken file.
- You have investment accounts in your Quicken file.

If you do not delete your investment accounts, they will be converted to QuickBooks Other Current Asset accounts (because QuickBooks doesn't track investments like Quicken does). You can either:

- Keep the QuickBooks Other Current Asset accounts as a way to include the value of your investments in your QuickBooks balance sheet. In this case, you should continue tracking your investments in Quicken and update the balance of your QuickBooks Other Current Asset accounts periodically.
- Or, delete the investment accounts from your Quicken file (so they are not brought into QuickBooks) and continue to track the investments in Quicken. (The investments still appear in the copy you made of your Quicken data.)

## Review your memorised and scheduled transactions



If you have overdue scheduled transactions in your Quicken file, record them before you convert to QuickBooks.

For example, print any cheques you have pending.

If the QuickFill option for memorising all transactions is turned off in Quicken, QuickBooks converts both your memorised transactions and your scheduled transactions.

On the other hand, if the option is turned on, QuickBooks converts only scheduled transactions and your transaction groups. It does not convert stand-alone memorised transactions.

So, if you have memorised transactions in Quicken that you'd rather not retype in QuickBooks, you need to do one of two things:

- Turn off the QuickFill option for memorising all transactions in Quicken. If your list of memorised transactions is very long, you may want to delete the ones you won't need in QuickBooks, or
- Put these transactions into a transaction group in Quicken. QuickBooks always converts transaction groups. After the conversion is complete, you can remove the memorised transactions from the group and use them as you did in Quicken.

For information about transaction groups in Quicken, look in your Quicken documentation.

**Note:** Memorised transactions from Quicken accounts payable will not work properly in QuickBooks accounts payable. You should delete these before you convert your data.



### To learn about...

Transactions group in QuickBooks

### Search the Help index for...

memorised transactions, grouping together

## Make customer names consistent

When you convert to QuickBooks, the names in your accounts receivable register become customers, and transactions become invoices and payments. If you accidentally used different names for the same customer in Quicken, QuickBooks can't link the customer's invoices and payments correctly.

For example, if you have a customer listed as Dan Miller, D. Miller, and Daniel G. Miller, you should edit these names in Quicken before you convert so that the customer goes by only one name.

## If you use online banking

In Quicken, you can bank online with participating financial institutions. However, online banking, at this time, is not supported in QuickBooks. An account that was online in Quicken will not be online in QuickBooks. When imported, the account will become a normal bank account in QuickBooks.

## Converting your Quicken file to QuickBooks

When QuickBooks converts a Quicken data file, it doesn't change it in any way. Also, QuickBooks does not create any sort of link between your Quicken data and your new QuickBooks company. Instead, QuickBooks creates a completely new set of files for you to use in QuickBooks.

## Quicken XG, 2002, 2001, 2000, and 98 for Windows

QuickBooks can directly convert data from these products.

- 1 If your Quicken file is protected with a password, start Quicken, and then remove the password. If you're not sure how, check the documentation that came with your Quicken software for instructions.
- 2 Exit from Quicken if it is running.
- 3 Install QuickBooks 2003 according to the instructions on page 4.
- 4 Open QuickBooks by double-clicking the QuickBooks icon on your desktop.
- 5 From the **File** menu, select **Import**, then **Convert from Quicken**. The Important Documentation window appears.
- 6 Click **View Help** for information about converting from Quicken. Close the help window, then click **OK**.
- 7 Choose the Quicken file you want to convert and click **Open**.
- 8 Follow the instructions on your screen to convert your file.

# Fine-tuning your data after converting to QuickBooks

After you convert your data from Quicken, you may need to make some additional adjustments to it before you start using QuickBooks.

## Edit your Other Names List

At the end of the Quicken conversion, unless you use Quicken XG, you are asked to choose which account you used for Accounts Receivable (A/R).

As the conversion finishes, QuickBooks gives you a list of names to which you made payments but which you have not used in your accounts receivable account. This list may contain not only the names of customers, suppliers, and employees, but also descriptions such as “Deposit,” “Transfer,” and “Interest.”

You should change the names on the list to the correct type. (If you don’t change them now, they remain on your Other Names list. You can change them later from the Other Names List. See instructions below.

If you want to use QuickBooks accounts payable, be sure to move your Quicken payees (other than employees) from the Other Names List to the Suppliers List. For more information, see “Changing to QuickBooks accounts payable” on page 72.



Once you change the type for a name, you cannot undo it. You can move names from the Other Names List to the Suppliers, Customer:Job, or Employee Lists. However, once moved, you cannot move a name again. If you’re not sure whether to change a name now, it’s best to leave it as is.

To change types for names:

- 1 From the Lists menu, choose Other Names List.
- 2 In the Other Names List window, click the Activities menu button and select Change Other Names Type.
- 3 In the Change Name Types window, click the corresponding column for each name you want to move. When all the names are ticked correctly, click **OK**.

Change Name Types

To change the name type for any names below, click the column for the new name type (Customer, Supplier, Employee) next to each name whose type you want to change.

WARNING: Once you click OK to change the name type, you cannot undo the change. If you are not sure whether to change a name now, leave it as an Other Name.

Name	Customer	Supplier	Employee	Other Name
Bayshore Auto Service		✓		
Bayshore Bagel Maven		✓		
Company car				✓
Computers				✓
Interest earned				✓
Prior retained earnings				✓
Service charge				✓

OK

Cancel

Revert

Help

To restore all the tick marks to the Other Name column, click **Revert**.

## If you have different versions of one name

If you have slightly different versions of the same name (for example, John Lennon, J. Lennon and John L.), QuickBooks puts each version of the name in the Other Names list.

In QuickBooks, you can't delete any name used in a transaction. However, you can merge the names to shorten the Other Names list.



### To learn about...

Changing the name type to a customer, supplier, or employee

Merging similar names

### Search the Help index for...

other names, list of

merging, list entries

## Fill in your company information

From the **Company** menu, choose **Company Info**, and fill in the fields that apply to your company. If you want QuickBooks to track tax information for you, you must select the tax form you'll be filing from the drop-down menu.

## Turn on the QuickBooks features you plan to use

In QuickBooks, from the Edit menu, choose **Preferences**. Now you can customise QuickBooks for your needs.

- If you collect VAT from customers, turn on the VAT tracking preferences. After you close the Preferences window, you should confirm that the default VAT codes meet your needs.

To check, from the Lists menu, select **VAT Code List**. Double-click any VAT code you need to change. For more information about tracking VAT, see "Setting up VAT tracking" on page 123.

- If you track stock or write purchase orders, turn on the preference for stock and purchase orders. See the Online help for information on tracking stock.
- (QuickBooks Pro and Accountant) If you deal internationally, turn on the preference for multicurrency. For more information about multicurrency, see "Doing business internationally" on page 145.
- If you plan to use QuickBooks to pay your employees, you must sign up for the QuickBooks Payroll Service. For information about payroll, see "Setting up payroll: an overview" on page 165.



### To learn about...

Setting preferences

Tracking stock

### Search the Help index for...

preferences

tracking, stock

## Adjust your Opening Bal Equity account

QuickBooks automatically creates an Opening Bal Equity account for you. When you create a new account and enter its opening balance, QuickBooks enters that amount in the Opening Bal Equity account, so that your accounts balance. You can leave the Opening Bal Equity total alone, or you can distribute amounts from it to other equity accounts.



### To learn about...

Distributing equity from before your start date

Moving the amount in the Opening Bal Equity account to other equity accounts

### Search the Help index for...

Opening Bal Equity account

equity, transferring from Opening Bal Equity

## How QuickBooks converts accounts receivable transactions

If you answered “Yes” to converting your Quicken asset accounts to QuickBooks A/R accounts, QuickBooks converted the transactions as follows:

This item in your Quicken A/R account...	...is converted to this in QuickBooks:
Each transaction that increases your A/R balance	An invoice to a customer
Each transaction that decreases your A/R balance and has only one split line	A payment from a customer
Each transaction that decreases your A/R balance and has more than one split line	A credit memo to a customer
Each payee	A customer on your QuickBooks Customer:Job list
Each category	Both an item on your Item list and an income account on your Chart of Accounts

QuickBooks applies payments in Quicken to a customer’s oldest outstanding invoice first.

The conversion saves you the time of typing in all your accounts receivable transactions, but you'll probably want to make some changes to the converted data. For example, if the category you used in most A/R transactions was "Sales income," you'll want to change the name of the converted invoice item from "Sales income" to the product or service you actually sell, such as "Consulting hours." The income account, however, may be just fine as "Sales income."

You don't have to make these changes now. QuickBooks makes it easy to make changes at any time.



#### To learn about...

QuickBooks items

Using accounts receivable

#### Search the Help index for...

items, about

accounts receivable

## Changing to QuickBooks accounts payable

In many versions of Quicken, the documentation explains how to set up your software for cash-basis accounts payable and for accrual-basis accounts payable. For a cash-basis system, Quicken recommends using a Bank account and simply postdating cheques. For an accrual-basis system, Quicken recommends using an Other Liability account.

The transition to QuickBooks accounts payable is the same for either system.

- If you used postdated cheques to track your bills, treat cheques you've already entered the same way you did in Quicken.
- If you had an Other Liability account in Quicken for accounts payable, it is now an Other Current Liability account in QuickBooks.

No matter which method you were using in Quicken, from now on, use the Enter Bills window to track your bills. The Enter Bills window tracks your bills in the Accounts Payable account. To create this account, you can either:

- Use the Other Current Liability account only for currently outstanding bills and let QuickBooks create a new Accounts Payable account for you the first time you use the Enter Bills window.
- Or, you can move the transactions in your Other Current Liability account to an Accounts Payable account (see below).



To move your Other Current Liability transactions to the Accounts Payable account:

- 1 In Quicken, create a report that gives you the total balance you owe each of your suppliers. Make sure the date range is set to **Include all dates**, then print the report for reference.
- 2 Start QuickBooks.
- 3 From the Banking menu, choose **Make Journal Entry**.
- 4 On the first line:
  - In the Account field, choose **Accounts Payable** from the drop-down list.
  - In the Name field, choose the supplier's name.
  - In the Credit field, type the open balance (you'll need to do this for each supplier).
- 5 On the second line:
  - In the Account field, choose the **Other Current Liability** account from the drop-down list.
  - In the Debit field, type the same amount that you entered in the Credit field of the first line.
- 6 Click **Save & New**.

## Changing your payees to QuickBooks suppliers

If you haven't already, you need to move your Quicken payees from the Other Names list to the Supplier list. See "Edit your Other Names List" on page 69.

If a Quicken payee had a balance that was imported in to QuickBooks, use the Write Cheques window until the balance of your old Quicken A/P account equals zero (in other words, you've paid off all your bills for that supplier). Enter any new bills into QuickBooks accounts payable.

You also need to delete and re-enter any memorised transactions that QuickBooks converted for you from Quicken accounts payable, as they will not work properly in QuickBooks accounts payable.



### To learn about...

Deleting memorised transactions

QuickBooks accounts payable

### Search the Help index for...

memorised transactions, deleting

accounts payable

# Comparing QuickBooks and Quicken

Once you understand the few terminology and feature differences between the programs, QuickBooks will feel very familiar.

## Terminology differences

Quicken uses terms familiar to anyone who has a current account. QuickBooks uses a few terms that are standard in business bookkeeping and that reflect the increased power and convenience of QuickBooks for business.

This table lists the most important differences in terms. It does not list the many completely new QuickBooks features and terms.

Quicken term	QuickBooks term	Definition
Account	Balance sheet account	A grouping of records related to one kind of asset, liability, or equity. These accounts appear on a balance sheet.
Category	Income or expense account	A grouping of transactions related to one kind of income or expense. These accounts appear on a profit and loss statement (income statement).
Category and Transfer List <i>plus</i> Account List	Chart of Accounts	The QuickBooks Chart of Accounts is like the Quicken Account list (balance sheet accounts) plus the Quicken Category list (income and expense accounts).

## Feature differences

The following table lists features that exist in both Quicken and QuickBooks, but that work differently in QuickBooks than in Quicken.

Feature	Quicken	QuickBooks
Entering transactions	Enters most transactions in registers.	Enters most transactions in forms (cheque window, invoice window, and so on). In QuickBooks, you can copy and paste a transaction from one register to another of the same type.
Write Cheques	Displays a cheque that looks like a paper cheque.	Displays a business cheque with voucher area (so the "split" is part of the cheque form).
Classes	Uses a slash (/) to separate a category from a class in transactions.	Enters classes in separate fields. No need for a slash (/) as a separator. In QuickBooks, projects or jobs can be linked to customers as part of the Customer:Job list, so you can use classes for different kinds of classification.
Transfers	Uses brackets [ ] to indicate a transfer to another balance sheet account.	No need to use brackets. QuickBooks handles transfers like any other transaction.
Passwords	One password for entering and viewing data.	Customisable password and permission access for each person in your company.
Subaccounts	Categories can have subcategories, but accounts cannot have subaccounts.	Most accounts, even balance sheet accounts, can have subaccounts.
Payroll accounts (if you set up your accounts as described in the Quicken manual)	A separate liability account for each tax withheld and for every other payroll liability.	You can continue using your old liability accounts. However, by using payroll items, you can put all your payroll liabilities into a single account. To ensure the correct calculations are done for payroll accounts, you should subscribe to the QuickBooks Payroll Service.

## New and renamed balance sheet accounts

QuickBooks and Quicken have similar kinds of balance sheet accounts, but QuickBooks adds some types and uses different names for others. When you convert a Quicken file, the program automatically creates QuickBooks accounts most like your Quicken accounts.

- In some cases, you may not want to use the account that QuickBooks creates automatically. For example, Quicken sometimes uses liability accounts instead of equity accounts. In QuickBooks, you can use equity accounts.
- QuickBooks changes your Quicken categories and subcategories into income and expense accounts with subaccounts.

Quicken account type	Converted to QuickBooks account type
Bank	Bank
Credit Card	Credit Card
Cash	Other Current Asset
Asset	Other Current Asset
Liability	Other Current Liability
Investment	Other Current Asset

## When you convert from Quicken

After you have converted your Quicken XG data file to QuickBooks, you'll notice the following changes:

- The Invoice Items list is converted to the QuickBooks Items list.
- Each existing Invoice/Receivables account is converted to a QuickBooks Accounts Receivable account of the same name.
- Existing invoices are converted to QuickBooks invoices. However, they will appear in chronological order.
- Transactions linked to a customer remain linked.



About payments, credit memos, and refunds.

Converted Quicken payments are always applied to the customer's oldest outstanding invoice, so the payment links to invoices may be different after conversion.

Credit memos and refund cheques, like payments, are also applied in chronological order based on invoice dates, so their links may also be different after conversion.

## Should you continue using Quicken for some things?

QuickBooks does not change your original Quicken file in any way as it imports information from it in to QuickBooks, nor does it create any connection between it and your new QuickBooks company file. You can continue to use your original file with Quicken.

Once you're using QuickBooks for your business, you'll probably want to continue using Quicken for your personal finances and investment accounts.



You cannot use online banking for an account in QuickBooks. If you track the same account in both Quicken and QuickBooks, remember that you can only use online banking in Quicken at this time.

Here are some personal-finance activities you can perform only with Quicken:

- **Track investments**  
Quicken includes investment tracking and reporting. Quicken updates the market values when you enter the latest share prices, and it reports on average annual total return, capital gains, and investment income.
- **Amortise mortgage loans**  
Each time you record a payment on a loan, Quicken updates the number of payments made and calculates the amount credited to principal and interest.
- **Create reports for personal finances**  
Quicken has many preset reports designed for personal use.

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## Importing from / exporting to other software

### Importing from other software

If you use QuickBooks Pro or Accountant, with a few clicks, you can import your contacts from Microsoft Outlook or Symantec ACT! (see page 79).

For all other software, QuickBooks imports data in a format called IIF (Intuit Interchange Format), a special type of ASCII text file with headings to tell QuickBooks the type of information it contains. (This format is different from .QIF, used by Quicken.)

If you want to import data from other software programs, you need to create an IIF file from scratch or reformat data you already use to conform to IIF standards.

**Note:** Creating an IIF file from scratch requires knowledge of a spreadsheet program. Changing data from another accounting program into an IIF file is technically complex, and is not recommended for those who do not have programming experience. However, you do not need to learn about the IIF format to export lists and import them back into QuickBooks (see below).



### To learn about...

Creating an IIF file

### Search the Help index for...

importing data

## Transferring lists between QuickBooks companies

You can transfer a list (like the Customer:Job list) from one QuickBooks company to another by exporting it to an IIF file, then importing it into the new company.

**Note:** When you import a list into an existing QuickBooks company, QuickBooks replaces any duplicate entries with ones from the import file.

If you import customers or suppliers from an IIF file, you'll need to edit each one to add information such as payment terms. Also, if you have unpaid balances for a customer or supplier, you must enter an invoice or bill that at least tells the total amount owed.

## Exporting to other software

When you export a list from QuickBooks, it is automatically formatted as an IIF file. You can then import the IIF file into spreadsheets, word processors, database programs, or other QuickBooks companies. **You can't export transactions from QuickBooks**, but you can create a report based on transactions and print it to a file that another program can import.

Method	What it does	Advantages	Disadvantages
Print to disk	Makes a copy of a list or report in a format common to other software programmes	You can use the file in a spreadsheet or word processing programme.	Only lists and reports can be printed to disk. QuickBooks cannot read files printed to disk.
Export	Puts lists into a file in IIF format, with one record per line and one column for each field	You can share lists with other company files or databases, word processors, or spreadsheets. You can add to the list and then import it back into QuickBooks.	QuickBooks can export only lists, not transactions or reports.



## To learn about...

Exporting lists to another company file

## Search the Help index for...

exporting data

# Transferring information to Microsoft Word, Excel, Outlook, or Symantec ACT!

You can easily export data to Microsoft Word or Excel and synchronise your contacts with Microsoft Outlook or Symantec ACT!

- If you use Microsoft Word as your word processor, you can use customer, supplier, employee, and other names in letters.
- If you use Microsoft Excel, you can export your QuickBooks report data to Excel for further customisation and filtering.
- If you use Outlook or ACT!, you can synchronise your contact information with QuickBooks.



## To learn about...

Writing letters

Exporting data to Excel

Synchronising contact information

## Search the Help index for...

letters

reports, exporting to Microsoft Excel

contact management, synchronising with a contact manager

## Give your accountant permission to access your QuickBooks file remotely

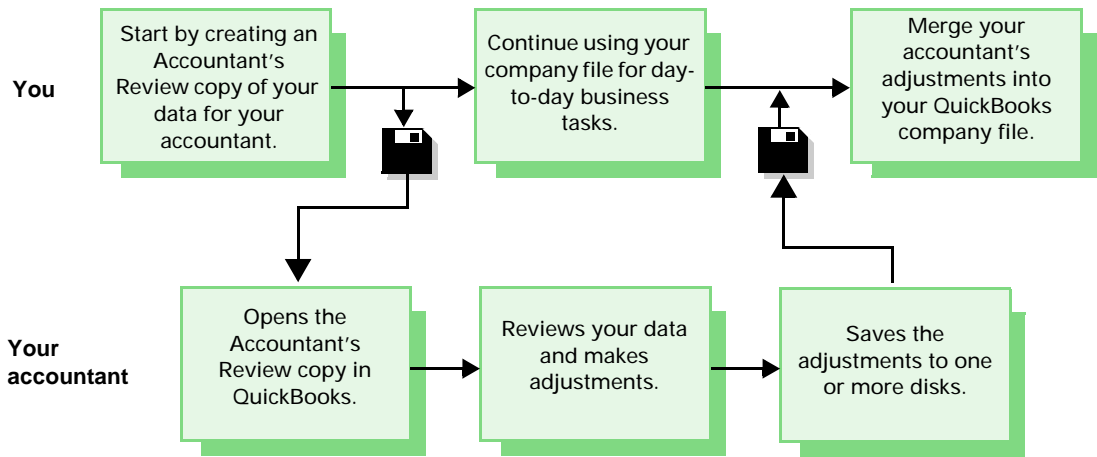
If your accountant has QuickBooks Accountant, they can use the QuickBooks Remote Access to work with your file directly from their computer. This can save your accountant the time and expense of a visit to your site, and you don't have to worry about preparing a disk for your accountant.

To work this way, set up a time with your accountant to start the session. Your accountant gives you an Internet address and licence key. When you go to the address and enter the number, your accountant can begin the remote access session.

During the session, your accountant controls QuickBooks on your computer. Every action your accountant takes is shown in real time on your screen. Your accountant has access only to your QuickBooks software and programs that integrate with it.

# Exporting data for your accountant (Accountant's Review)

The Accountant's Review™ feature allows an accountant to make certain kinds of changes in a special copy of your company file. Meanwhile, you can continue to enter daily transactions in the original master file. After the accountant has made the changes, you merge them into the master company file.



**Note:** Changes cannot be made to foreign-currency accounts in an Accountant's Review file. Therefore, if your accountant needs to edit currency accounts in your company file, give him or her a *copy* of your company file as opposed to the Accountant's Review copy. Note that while the accountant is editing a *copy* of your company file, you cannot make changes to the master file that you have.



To learn about...	Search the Help index for...
Setting up your accountant as a user with all privileges (if you have set up users)	permissions
Creating an Accountant's Review copy of your current company file	accountant's review copy
Merging the accountant's file into the master company file	accountant's review copy
Making the accountant's revised copy your master company file	restoring data
Cancelling an Accountant's Review copy	accountant's review copy



## What can and can't be changed

The Accountant's Review feature may not be right for everyone. The accountant can make some kinds of changes but not others.

The advantage of using the Accountant's Review feature is that you can continue to work normally with your master company file (that is, the regular company file from which you make the Accountant's Review copy). After the accountant has made changes, you can merge the changes into your master file.

The table shows what an accountant can and cannot do while using an Accountant's Review copy of your file, and any restrictions on you while this copy is out.

Your accountant can...	Your accountant cannot...	You cannot...
<ul style="list-style-type: none"><li>■ View all existing transactions and lists</li><li>■ Add new items to the Chart of Accounts, Item list, Payroll Item list, To Do Notes list, Memorised Transaction list (general journal transactions only) To add stock items, you must have this feature turned on.</li><li>■ Edit existing account names and numbers</li><li>■ Edit existing payroll items</li><li>■ Edit account and VAT information for existing items on Item list</li><li>■ Enter general journal transactions in home-currency accounts</li><li>■ Reconcile new transactions</li><li>■ Adjust stock values or quantities</li><li>■ Create reports</li><li>■ Change preferences temporarily</li><li>■ Create, adjust, and print P60 and P35 forms</li></ul>	<ul style="list-style-type: none"><li>■ Enter transactions other than general journal transactions</li><li>■ Edit foreign-currency accounts</li><li>■ Memorise transactions other than general journal transactions</li><li>■ Edit or delete existing transactions, including payroll payments</li><li>■ Reorganise lists (move items, make one item a subitem of another)</li><li>■ Rename accounts or items</li><li>■ Make items inactive</li><li>■ Edit names of existing items on Item list</li><li>■ Adjust payroll liabilities</li><li>■ Enter or edit employee YTD payroll setup transactions</li><li>■ Edit employee profiles</li><li>■ Export changes to preferences</li><li>■ Memorise reports</li></ul>	<ul style="list-style-type: none"><li>■ Delete any items from lists</li><li>■ Reorganise lists (move items, make one item a subitem of another)</li></ul>

## For accountants only: working with an Accountant's Review copy

The Accountant's Review copy of a company file (which your client should create from his or her master company file) is a compressed, special type of company file. It has a .QBX extension instead of the usual .QBW or .QBB. When you start working with these files for the first time, QuickBooks decompresses them to a .QBA file.

You cannot make changes to foreign-currency accounts in an Accountant's Review copy of a company file. If your client has foreign-currency accounts that you need to make adjustments to, have your client send you a copy of their company file instead of the Accountant's Review copy. Note that the client cannot work on his or her company file while you are editing the copy that they gave you.

**Note:** If your client has set up users and passwords, you'll need to find out the user name and password assigned to you or the QuickBooks administrator.

Once you have opened an Accountant's Review copy, it remains the current QuickBooks company unless you open a different company or you close the company. If you try to record a change that is not allowed, QuickBooks tells you that it cannot record the change in an Accountant's Review copy.



If your computer's system date and time is earlier than the date and time that your client created the Accountant's Review copy, you will not be able to open it.

To correct the problem you'll need to determine which computer has the incorrect date and time, change the date and time, and try to reopen the copy. You may need to have your client cancel the first review copy and create another one for you.

When you export your work from an Accountant's Review copy, the changes to his or her company file are saved in an .AIF file. You should return this file to your client as soon as possible so it can be reintegrated with his or her .QBW file.



### To learn about...

Creating a file to give to your client

### Search the Help index for...

accountant's review copy

## QuickBooks basics

Getting around in QuickBooks	84
Using the Help system in QuickBooks	88
Getting information about your company	92
Customising your forms	98
Backing up your company data	100
Condensing data	104
Reconciling bank and credit card accounts	107
Setting up online banking (account access and payment)	109
Working with multiple users	111
Solving printing problems	116

# What do I need to know to work in QuickBooks?

This chapter explains the basics of using QuickBooks, so you can get up and running quickly. Once you know how to get around in QuickBooks and where to go for more information, you'll learn how to use the features of QuickBooks that require additional set up, like backing up and restoring data, allowing different users to access your company file, collecting VAT, and linking your accounts to tax lines.

# Getting around in QuickBooks

## About the Resource Area

When you first open QuickBooks, the Resource Area appears. Use the Resource Area to help you get up and running in QuickBooks. It tells you about updates when they are available, support options, product information, where to go to get help when setting up your company, as well as tools to help you grow your business.



## Navigating in the working area

QuickBooks makes it easy to access the feature or information you want. There are several ways to get around in most areas of QuickBooks — just choose the one that best fits your work style. Also, many parts of QuickBooks, such as the Icon bar, are customisable to fit the needs of your business.

Navigators are an easy way to work in one area of QuickBooks. Each Navigator shows the tasks for one area of your business.

As you use QuickBooks, the Open Windows list keeps track of the windows that you have open.

Get your questions answered by searching our help system.

The customisable Icon bar gives you one-click access to the features you use most.



The Customers Navigator, shown here, contains customer-specific tasks like creating an invoice. For more on the Navigators, see page 92.

The Follow-Me Help window displays help related to what you are doing in QuickBooks. For more on Help, see "Using the Help system in QuickBooks" on page 88.

## Moving between windows

QuickBooks maximises your workspace by displaying one window at a time at its full size. Because QuickBooks keeps a list of the windows you have open, you can quickly switch between windows as you work.

**Tip:** If you'd like to be able to see multiple windows open at the same time, from the **View** menu, select **Multiple Windows**.



### To learn about...

Customising and using the Icon bar

Displaying the navigators

### Search the Help index for...

Icon Bar

navigators

## To learn about...

Displaying and using the Open Window List

Showing, hiding, or customising items on the QuickBooks desktop

## Search the Help index for...

windows, list of open

desktop

## Using lists, forms, and registers

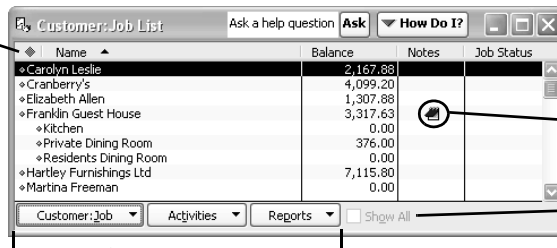
When you're working in QuickBooks, you'll spend most of your time using a form, a list, or a register. Since these are the basic elements to QuickBooks, take a few minutes to become familiar with them.

### Using lists

Lists store information about customers, suppliers, employees, items or services you sell, and so on. They save you time and help you enter information consistently and correctly.

You fill out most QuickBooks forms by selecting entries from a list. For example, when you're filling out an invoice form, you select a customer name from the Customer:Job list. QuickBooks then fills in the customer's name, address, payment terms, and other information.

To re-sort the list by name or type, click the column header. An "X" beside an item means it is inactive.



Use the menu buttons at the bottom of lists for a variety of tasks: creating new entries, editing existing ones, creating reports about items on the list, and using them in transactions.

This list includes each customer and job and their outstanding balances.

You can create notes on many lists.

To show the items marked "inactive," select Show All. To hide these items, clear the check box.

## Using forms

You record most of your daily business transactions on a QuickBooks form, which looks just like the paper forms you're used to. After you fill it in, QuickBooks does the accounting.

Account	VAT	Net Amt	VAT Amt	Memo	Customer:Job	Class
Utilities:Gas a	S	196.60	34.40			
Totals		196.60	34.40			

When you record a bill and then write a cheque (using the Pay Bills window) to pay for the business expense, QuickBooks enters transactions in your accounts payable register to show the expense you incurred and the payment you made.

It also records the cheque in your current account, keeping your records up to date and providing an ending balance of what you owe at any time.

## Using registers

Just as you use the paper cheque book register to see a record of all the transactions in your current account—cheques you've written, withdrawals you've made, and deposits—QuickBooks uses electronic registers to record the activity in its accounts. The register shows every transaction for that account, as well as the account balance.

Although you usually would use forms for entering and viewing transactions, you can also do so directly in registers. Here's an example of the register for an accounts receivable account.

The register shows information about invoices written to customers — the date of the invoice, the date it's due, the name of the customer, and the amount.

For foreign accounts, registers show their transaction amounts in the currency denomination of the account.

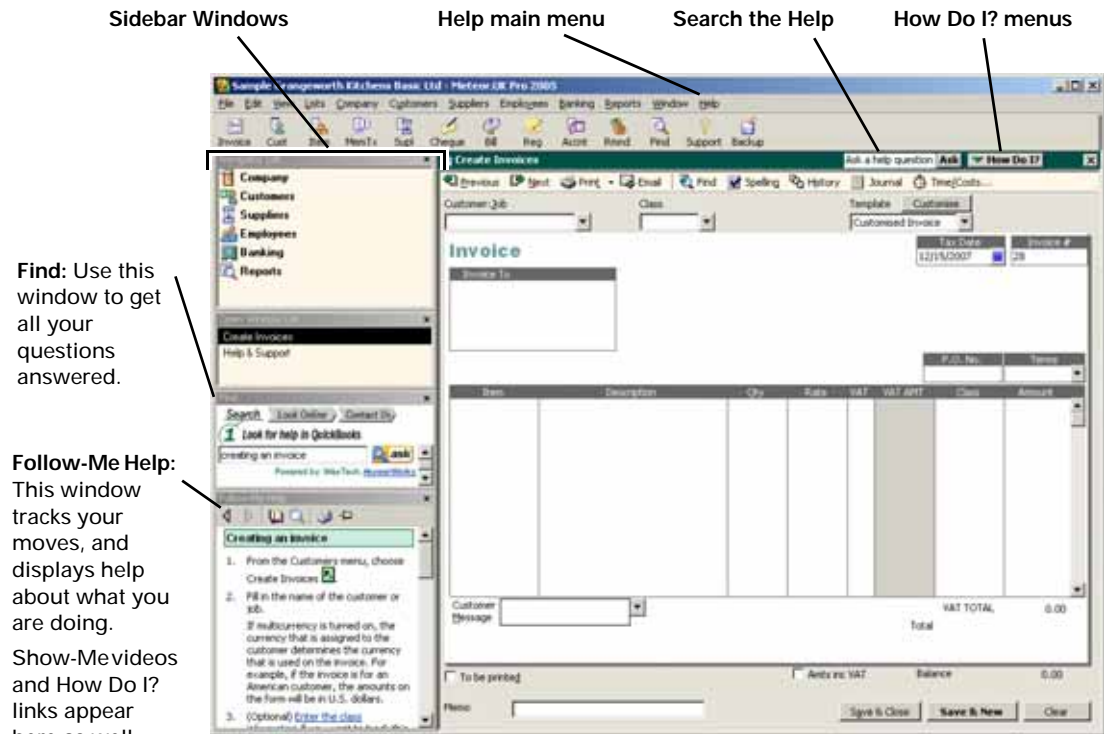
Date	Number	Customer	Item	Qty	Rate	Amt Chrg	Amt Paid
Ex. Rate	Type	Description	Class			Billed Date	Due Date
03/11/2003		Cranberry's					5,000.00
03/17/2003	PMT	Sutton Housing As:					5,000.00
03/18/2003	27	Carolyn Leslie			-117.50	03/18/2003	
03/19/2003	25	Offa Kitchens			2,951.60	04/18/2003	
03/26/2003	26	Hartley Furnishing:			7,115.80	04/25/2003	
03/31/2003	28	Elizabeth Allen			1,307.88	03/31/2003	
03/31/2003	29	Franklin Guest Hou			2,941.63	03/31/2003	
Ending balance							32,812.45

It also shows payments you've received against your invoices.

At the bottom-right of the register, you see an ending balance as it is referred to in QuickBooks, of all your accounts receivable, so you always know how much you're owed.

# Using the Help system in QuickBooks

QuickBooks provides a variety of ways for you to obtain useful information and answers to your questions. These include tutorials, Follow-Me Help, and an exhaustive search engine (referred to as 1-2-3 Help) that searches not only the help, but our online knowledge base.



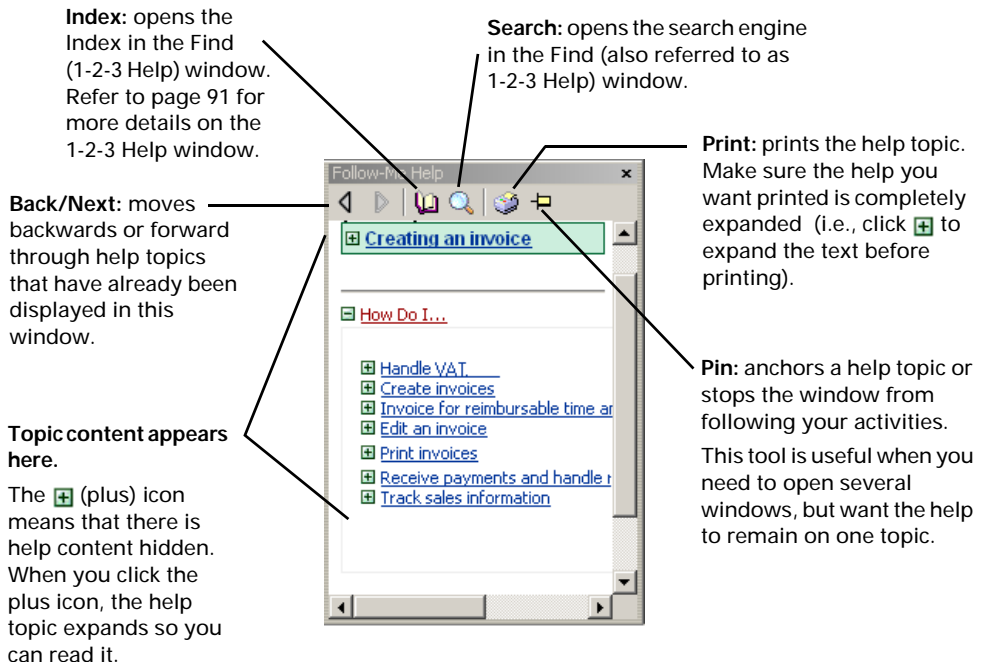


## Context-sensitive help

In QuickBooks 2005, we have added many ways in which you can access our context-sensitive help system.

### Follow-Me Help

Follow-Me Help "follows" you as you work in QuickBooks and displays the topics that are related to what you are doing. If you have an Invoice form open, you will see help on how to create an invoice with "How Do I?" links listed underneath.



The Follow-Me Help window is located, by default, at the bottom of the sidebar area on the left-hand side of the QuickBooks work space. You can move this help window anywhere you like by dragging it to the position you want. When you drag it back to the sidebar window area, the window automatically docks in the sidebar. You can also close the Follow-Me Help window altogether.

To close and open the Follow-Me Help window:

- To close the Follow-Me Help window, click the x in the upper right-hand corner of the window.
- To open the Follow-Me Help window, go to the **View** menu and select **Follow-Me Help**.
- To reset the sidebar area to the default layout, go to the **View** menu and select **Reset Sidebar Windows**.

## How Do I? menus

Throughout QuickBooks, you'll find windows with a **How Do I?** drop-down menu in the upper-right corner. These menus provide quick access to information and instructions for the window you're working in. The help topic is usually displayed in the Follow-Me Help window.

## F1 key

You can get explanations about features of most windows by pressing the **F1** key or the **Help** key on your keyboard. The help topic is displayed in the Follow-Me Help window.

Some windows also have a **Help** button. When you click a Help button located on a window, the help is displayed in a separate help window and not the Follow-Me Help window.

## Getting your questions answered

### Using the index

To find help on a particular subject, choose **Help Index** from the Help menu or click the book icon on the Follow-Me Help window. The Index appears in the Find window. Type the word that best describes what you need information on. If you can't find what you want from the Index, try using the 1-2-3 Help.

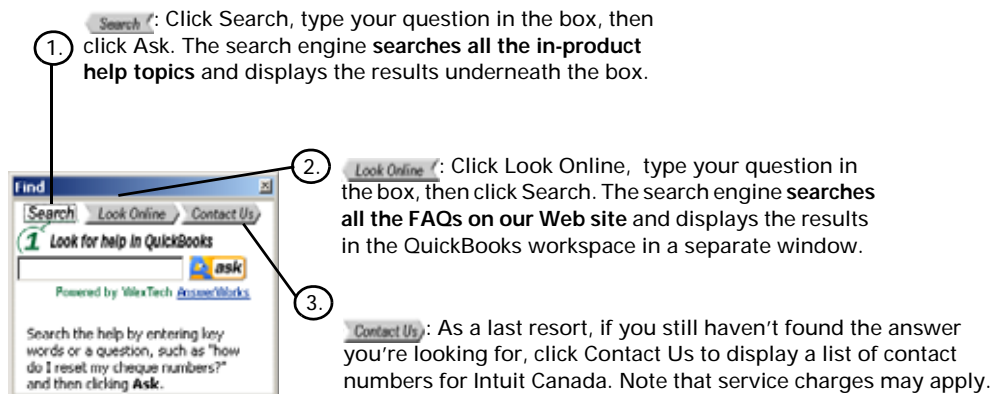
### Searching for answers

In most windows, next to the How Do I? drop-down menu, there is a search feature where you can type your question and search the in-product help system.

You can also use the 1-2-3 Help to not only search our help system, but to search the knowledge base located on our Web site. The knowledge base is a grouping of Frequently Asked Questions (FAQs) that come from our customers. It contains hundreds of tips and tricks.

## Using 1-2-3 Help to answer your questions

With 1-2-3 Help, you can get all of your questions answered at the click of a button.



The 1-2-3 Help is located in the Find window. The Find window, by default, appears above the Follow-Me Help sidebar window. You can move this window anywhere you like by dragging it to the position you want. When you drag it back to the sidebar window area, the window automatically docks in the sidebar. You can also close the Find window altogether.

To close and open the Find window:

- To close the Find window, click the x in the upper right-hand corner of the window.
- To open the Find window, go to the **View** menu and select **Follow-Me Help**.
- To reset the sidebar area to the default layout, go to the **View** menu and select **Reset Sidebar Windows**.

## Learning with the QuickBooks Tutor

The fastest way to get started in QuickBooks is to practise with the QuickBooks Tutor. The QuickBooks Tutor is an interactive tutorial that lets you practise some common tasks in QuickBooks without affecting the data in your company file.

This tutorial is divided into six lessons and you can complete it in 15 minutes. When you do, you'll be able to navigate in QuickBooks, set up customers and items, make sales, and receive money.

To start the QuickBooks Tutor:

- 1 From the **Help** menu, choose **QuickBooks Tutor**.
- 2 Select **Start QuickBooks Tutor** to go through each lesson sequentially. You can also select a specific lesson that describes the feature you want to learn how to use.

# Exploring QuickBooks with a sample company

Use the sample company that comes with QuickBooks to get familiar with the software: explore the features, enter test data, and run reports.

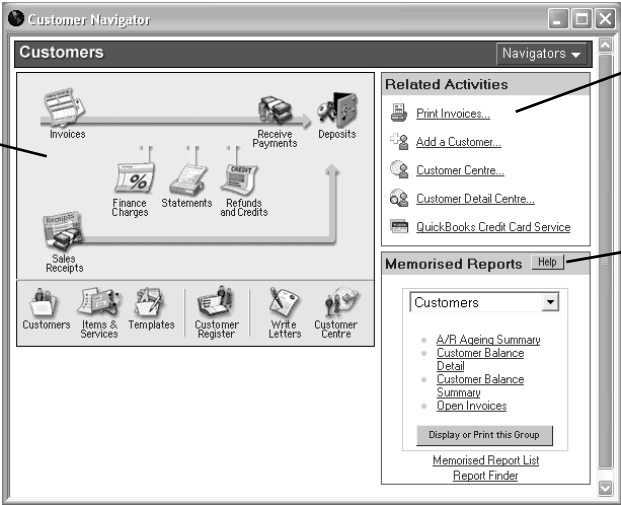
To view the sample company:

- 1 From the File menu, choose **Open Company**.
- 2 In the Open a Company window, choose any one of the samples provided. A QuickBooks company file has a .QBW extension.

## Getting information about your company

Navigators are the best starting point to see how your company is doing at a glance. They gather information from your QuickBooks data and display it in one location so you can manage your business more effectively. There are eight navigators: Company, Customers, Suppliers, Employee, Banking, Business Services, Reports, and Help & Support.

The flowchart shows activities for dealing with one customer. Click the icons for quick access.



Click these icons for quick access to features you use to manage all your customers.

Use this drop-down list for convenient access to reports you've added to the memorised reports list.



### To learn about...

- Using the Company Centre
- Using other QuickBooks centres
- Decision Tools

### Search the Help index for...

- Company Centre
- centres
- decision tools

# Creating reports

QuickBooks provides a wide variety of preset reports and graphs designed to give you quick and easy access to your company's information. In addition, you can create your own customised reports that have a different look and layout as well as scope of information.

## Finding the right report

With the Report Finder, you can quickly review and choose among the many preset reports that QuickBooks provides. To help you choose an appropriate report, the Report Finder displays a sample of each report, as well as a summary of what the report conveys about your business.

To get to the Report Finder, go to the Reports menu and select **Report Finder**.

Choose a report category and view a general description of your choice.

The specific reports available in the category you selected are listed here.

View a thumbnail picture with sample data to get an idea of a report's content. You can customise a report before or after you generate it.

Ordinary Income/Expense	
Income	4,252.00
Labour	
Construction	
Subcontractors	8,832.38
Total Construction	8,832.38
Total Income	13,084.38
Gross Profit	13,084.38
Expenses	
Job Expenses	
Equipment Rental	550.00
Job Materials	1,302.26
Total Job Expenses	1,852.26
Total Expense	1,852.26
Net Ordinary Income	11,232.12
Net Income	11,232.12

QuickBooks provides details about a report's content to help you decide whether the report is appropriate for your needs.



### To learn about...

Finding a report

Creating a report

Preset reports

### Search the Help index for...

reports, finding

reports, creating

report types, all

## Customising the look of a report

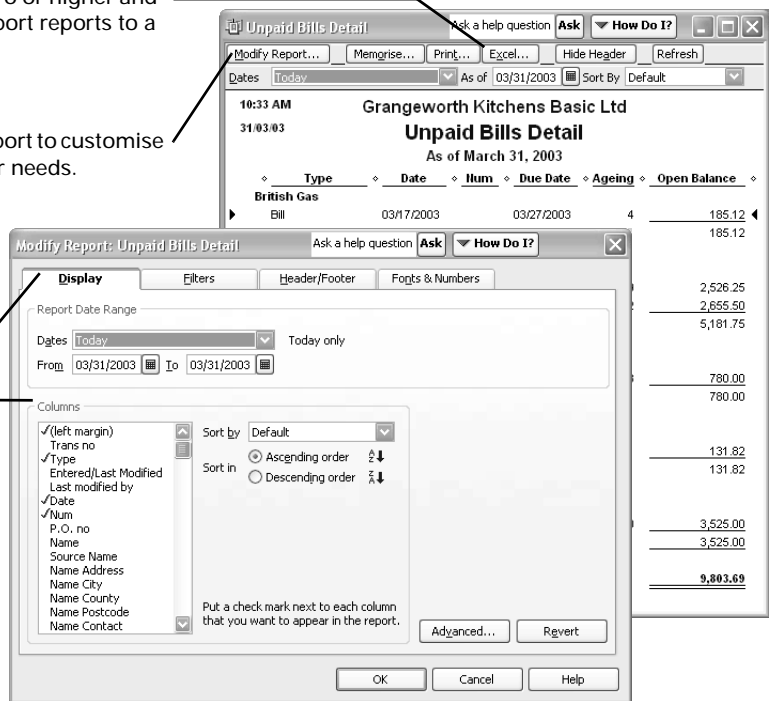
Most reports can be customised for unique presentation of your data. For example, you can do the following:

- Change the typeface (font) and how numbers display
- Add or remove columns and adjust their width
- Create or change subtotal lines
- Change the sort order of transactions
- Change your item's units of measure on reports that include purchase, sales and inventory transactions (QuickBooks Pro and higher); refer to "Reporting in different units of measure" on page 38 for more details on units of measure

If you're using QuickBooks Pro or higher and Microsoft Office, you can export reports to a Microsoft Excel spreadsheet.

Click Modify Report to customise a report for your needs.

The Modify Report window is divided up in to tabs. Each tab covers different customisation options for the report. For example, the Display tab allows you to choose the columns you want visible on the report that you are currently working on.



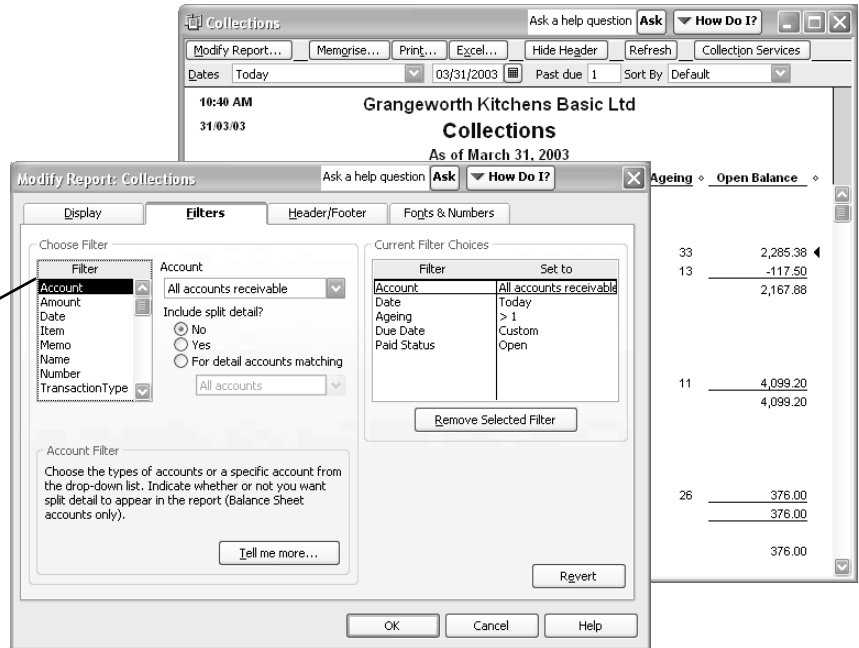
After you have customised a report, you can save the settings for future use. Saving report settings is called memorising. The next time you run the report, QuickBooks recreates the format of the report, but uses your latest financial data.

When you memorise a report, QuickBooks adds it to the Memorised Report List. To display this list, from the Reports menu, choose **Memorised Reports**, then choose **Memorised Report List**.

# Changing the scope of information in a report

Creating your own version of an existing report can also include filtering, or changing the scope of the information that displays on a preset report.

We encourage you to explore the extensive list of filters. Your options here include filters for data you entered in your custom fields.



## To learn about...

Changing date ranges

Customising a report

Adjusting, adding, or deleting columns on a report

Tailoring the data in the report (filtering)

Changing headers and footers

## Search the Help index for...

reports, dates in

report customisation

report customisation, columns

reports, changing the scope of

report customisation, headers

## What does “Other” refer to on reports?

If you use subaccounts, subitems, or jobs, then sooner or later you will see the word “Other” on a report:

31/03/03	<b>Profit &amp; Loss</b>
Accrual Basis	March 2003
	◊ March 2003 ◊
Ordinary Income/Expense	
Income	
Labour	
Fitting	3,085.00
Plumbing	1,677.00
Labour - Other	540.00
Total Labour	5,302.00

The £540.00 expense for Labour-Other is for the Labour main account and not for either of the subaccounts.

QuickBooks shows the word “Other” when you create a report for an account that has subaccounts (or items that have subitems, customers that have jobs, and so on) and there is a transaction associated with the main account. Generally, if you are using subaccounts (or subitems or jobs), you should associate transactions only with the subaccounts instead of the master account.

**Tip:** To remove the “Other” line or column on a report, double-click its monetary amount to see the transaction and adjust it. When QuickBooks displays a report listing one or more transactions, double-click each one in turn. In the transaction itself, replace the problem name with the correct subaccount, subitem, or job.

## Understanding QuickBooks file types

QuickBooks uses several types of files. Here are some of the more common ones:

- **.QBW:** Your company file. This contains your company set up, and all the information you enter (customers, suppliers, transactions, etc.) for your company.
- **.QBB:** A compressed backup of your company file.
- **.QBX:** A compressed version of an Accountant’s Review copy of your company file. See “Exporting data for your accountant (Accountant’s Review)” on page 80.
- **.QBA:** An Accountant’s Review copy of your company file that’s not compressed (that is, what your accountant gets when he or she opens the .QBX file you provided).
- **.AIF:** A special file containing the changes your accountant made to your company’s books in the .QBX file you provided. You merge the information from this file back into your regular company file (.QBW).



## Cash Flow Projector

Use the Cash Flow Projector to prepare a six-week view of all your incoming and outgoing cash to give you a detailed summary of any excesses and/or shortages of cash. The Cash Flow Projector guides you through a step-by-step process that helps you combine your existing QuickBooks data with additional cash flow information you provide, such as future business expenses and projected cash receipts, to arrive at a weekly cash flow projection.

Easily view your projected "available to spend" weekly cash balance in a printable report. Also try out several "what if?" scenarios to see how making changes to your receipts and disbursements could affect your weekly cash balance.

Specifically, the Cash Flow Projector can:

- Help business owners project their business's cash requirements.
- Anticipate shortfalls of cash before they occur.
- Identify sources and uses of cash to better understand cash management.
- View the financial impact of supplier payments terms.
- Determine whether additional purchases can be made based upon your business's future cash needs.

To open the Cash Flow Projector:

- From the Company menu, select **Planning & Budgeting** and **Cash Flow Projector**, or
- From the Company Navigator, click the **Cash Flow Projector** button.

## QuickBooks Loan Manager

The Loan Manager lets you track loans and schedule future payments for any Long Term Liability or Other Current Liability account. In order to use the Loan Manager, a liability account must already be set up in QuickBooks. To track a loan in the Loan Manager, enter detailed information about your loan, such as payment amount, interest rate, term, etc., and Loan Manager alerts you before a payment is due. It calculates the principal and interest portions of your payment and posts these amounts to the proper liability and expense accounts, respectively.

You can modify the details of your loan at any time (i.e. change your payment, interest rate, etc.) and the Loan Manager will automatically update your payment schedule to reflect the new information. Additionally, the Loan Manager allows you to run several "what if?" scenarios to evaluate different loan situations on existing loans, as well as for new loans.

Specifically, the QuickBooks Loan Manager can help you by:

- Preventing you from missing a loan payment (eliminate late fees).
- Automatically calculating principal and interest payments to produce more accurate loan balances.

- View payment schedules and loan payoff dates.
- Makes loan payments quicker and easier.
- Analyse different loan "what if?" scenarios on existing loans and new loans.
- Tracks all of your loans in one, user-friendly location.

To open the QuickBooks Loan Manager:

- On the Banking menu, select **Loan Manager**, or

---

## Customising your forms

You can customise any sales or purchase form (template) and create any number of versions to suit your business needs.

**Tip:** If you plan to print your invoices or statements on preprinted forms from Intuit, you should make only minor adjustments to the Intuit templates. For example, adding a logo, adding your company name and address, or changing fonts still allows you to use preprinted forms and window envelopes you purchase from Intuit. You can't; however, add, change, delete, or move columns unless you have purchased custom designed forms.

For each form you customise, you decide which fields (including custom fields) and columns to include, what they are labelled, and where to place them.

Once you've created your forms, you can save them to use whenever you want and modify them whenever you want. You can also purchase custom forms to match.

**Note:** To purchase custom forms, see "Ordering QuickBooks cheques and business stationery" on page 260.

To customise a form (template):

- 1 With any sales or purchase form open (for example, an invoice or purchase order), click the **Customise** button located at the top of the form.
- 2 Select the template you want to customise and click **Edit**. The Customise window appears.

or...

If you want to customise an Intuit template, select the one you want to customise and click **New**. Don't forget to give your new template a name.

The following diagram shows the areas of the form that you can change using various tabs of the Customise window.

#### Header

Use the Header tab to change the title of a form or other information in this part of the form.

#### Fields

Use the Fields tab to change the information shown on this part of the form.

#### Footer

You can enter up to 1,000 characters in the Long text area on the Footer tab to print on your custom form.

This information could include legal disclaimers or warranty information.

#### Printer

Use the Printer tab to change the page orientation.

#### Format

Use the Format tab to add your logo and to change fonts, including font style (italic, bold, etc.) and size.

#### Columns

Use the Columns tab to change the order in which columns display. The Amount column always displays furthest to the right.

You can also rename, add, or delete columns.

The diagram shows an invoice form for 'Grangeworth Kitchens Basic Ltd'. The form is divided into several sections:

- Header:** Contains the company name 'Grangeworth Kitchens Basic Ltd', address '4 Mercer Street, High Wycombe, Bucks, HP2 3DL', and the title 'Invoice'.
- Fields:** Includes a table for 'Invoice To' with details for 'Franklin Guest House', '1 Church Lane', 'Old Windsor', and 'Berks SL3 1NU'. It also has a table for 'P.O. No.', 'Terms', and 'Product'.
- Footer:** Contains a 'VAT SUMMARY' section with a long text area for additional information.
- Columns:** A table with columns for 'Description', 'Qty', 'Rate', 'VAT AMT', and 'Amount'. It lists items like 'Fitting kitchen', 'Plumbing', 'Pine base cabinet', etc., with their respective quantities and costs.

Callouts from the surrounding text point to these sections: 'Header' points to the top section, 'Fields' points to the 'Invoice To' and 'P.O. No.' tables, 'Footer' points to the 'VAT SUMMARY' section, and 'Columns' points to the main table.



#### To learn about...

Creating custom business forms

#### Search the Help index for...

customising forms, about

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# Backing up your company data

Your data is valuable! No recovery technique can repair all possible file damage or protect against theft or natural disasters.

To guard against and minimise data loss, make regular backup copies of your QuickBooks company (or companies). In the event of a data loss, you can restore your data from the back up. It's a good idea to store at least one recent backup off-site.

When it comes to backing up your company file, you have several options. You can backup to

- your hard drive
- Zip disk
- CD-R or CD-RW

You can back up your company file to your hard drive, but it's a good idea to store at least one recent backup off site. That way, in case of theft or natural disaster, you'll have a copy of your company data in a safe place.

The QuickBooks Backup command does not simply copy your company file. Instead, it compresses the data into a compact backup file which only QuickBooks can open. You can name the backup file whatever you want. QuickBooks automatically give your backup file the extension .QBB.

**Note:** For a description of the various file types QuickBooks creates for your company file, see "Understanding QuickBooks file types" on page 96.



You must be in single-user mode to backup your company file.

In single-user mode, only one person at a time can access and work with your company file. If you have QuickBooks Regular (not QuickBooks Pro or higher), you are always working in single-user mode and do not need to worry about switching.

- If other people are working with the company file, ask them either to close the file or exit QuickBooks.
- From the File menu, choose Switch To Single-User Mode.

## Recommended backup routine

If you use QuickBooks Pro in multi-user mode, you must switch to single-user mode to create a backup. For more information on single-user mode, see “Working with multiple users” on page 111.

- Prepare several sets of backup media.
- Label the backup media “QuickBooks Backup Monday,” “QuickBooks Backup Tuesday,” etc.  
By having one set of backups for each business day, you likely won’t lose more than one day’s records if a disaster strikes.
- Each day, back up onto a media of your choice and keep them in your office.
- At least once a week, make a second backup to keep off your premises.  
Alternate between two sets of media for your weekly off-site backup. If a disaster strikes your office, you’ll want a reliable record of your data to fall back on.
- Periodically, replace your backup media with new media on your machine.
- At the end of the financial year, make an archive copy of your data to keep off your premises.



### To learn about...

Backing up your company data

### Search the Help index for...

backups

## Backing up to a CD-R or CD-RW



Although Windows XP can write data directly to a CD-R or CD-RW, we strongly recommend that you use third-party CD writing software to back up your company file instead.

Because of a limitation in the CD writing program that comes with Windows XP, it may not allow QuickBooks to back up directly to a CD. Instead, it may display an error message such as “Unable to access the disk.” Also, if Windows XP does allow QuickBooks to access the CD, Windows XP may not transfer your company file backup from the CD Writing Tasks area to your CD properly.

Instead, you should first save the backup to your hard drive, then copy it to your CD with reliable third-party software.

To back up to a CD-R or CD-RW:

- 1 Insert the CD into your CD-R drive.
- 2 From the **File** menu, choose **Back Up** and ensure the **Back Up Company File** tab is selected.
- 3 Click **Browse**.
- 4 Navigate to a place on your hard drive that you can easily find again. (QuickBooks may warn you that you are backing your data up to your hard disk.)

- 5 In the **File name** field, type a name for your backup.

**Tip:** We recommend that you give a new name for each backup, for example, the date of this backup. This prevents you from overwriting the previous backup should there be a problem during the backup process (for example, a power failure).

- 6 Click **Save**.
- 7 (Optional) Select the backup options you want:
  - **Verify data integrity:** Select to verify your data before backing up.
  - **Set Defaults:** Click to specify the defaults for backing up manually.
- 8 Click **OK**. QuickBooks creates a backup file of your company data.
- 9 Start your CD writing software and use it to copy the backup file from the location you saved it to your CD.

For those users who are very comfortable working around the limitation in Windows XP's built-in CD writing software, the help file includes information about setting up Windows XP so that you can back up your company files directly from QuickBooks to a CD.



#### To learn about...

Setting up Windows XP so you can back up to CDs right from QuickBooks

#### Search the Help index for...

company file, backing up to CD (Windows XP)

## Backing up to a Zip drive

To backup to a Zip disk:

- 1 Insert the Zip disk into your Zip drive.
- 2 From the **File** menu, choose **Back Up** and make sure the **Back Up Company File** tab is selected.
- 3 Click **Browse**.
- 4 Navigate to your Zip drive.
- 5 In the **File name** field, type a name for your backup.

**Tip:** We recommend that you give a new name for each backup, for example, the date of this backup. This prevents you from overwriting the previous backup should there be a problem during the backup process (for example, a power failure).

- 6 Click **Save**.
- 7 (Optional) Select the backup options you want:
  - **Verify data integrity:** Select to verify your data before backing up.
  - **Set Defaults:** Click to specify the defaults for backing up manually.
- 8 Click **OK**. QuickBooks creates a backup file of your company data.

# Searching for your backup file

If for some reason you can't locate your backup file (.QBB), you can use the Windows' search feature to help you find it.

To search for the backup file:

- 1 From the Windows Start button, select **Search**, then choose **For Files or Folders**.
- 2 In the Search Results window, type **\*.QBB** in the "Search for files named" field.  
The asterisk symbol acts as a substitute for zero or more characters.
- 3 Choose a drive or folder in the "Look in" field.
- 4 Click **Search Now**.

# Restoring your backup file

If you need to restore your backup file, use the Restore command. Because QuickBooks backup files are compressed, simply copying the backup file to your QuickBooks directory will not give you access to your data.



Because your backup copy is in a compressed file format, you must use the Restore command to bring the data back into QuickBooks. Do not use the Copy command from Windows Explorer or the DOS prompt.

If your hard disk has malfunctioned, you first need to reinstall QuickBooks on the repaired or new hard disk. For instructions, see "If you need to reinstall QuickBooks" on page 8.

**Note:** If QuickBooks finds a company file with the same name as the one you're restoring to a given directory, it asks you whether you want to replace the existing file.

If you answer "No," QuickBooks returns you to the Restore window. You must then give a different name to the restored file, and when the process is finished, you will have two different versions of your company data.

If you are restoring your company file because your computer or hard drive malfunctioned, be sure all required repairs are complete and consider reinstalling QuickBooks before you proceed.



**To learn about...**

Restoring your company data

**Search the Help index for...**

restoring from a backup

---

# Condensing data

If your company file has grown very large, you can reduce its size by condensing the older transactions that you no longer need much detail about.

For example, you might condense the transactions your company completed two or more years ago, especially if your company file is quite large (more than 75 MB). Condensing large company files can sometimes improve the performance of QuickBooks.

When you condense data, you specify an ending date for the period of time you want to condense. Transactions dated *after* your selected ending date are not affected. For example, if your ending date is 31/12/03, all transactions dated 1/1/04 and later remain intact in your company file.

When you condense your company file, QuickBooks deletes only closed transactions. Open transactions are retained. Therefore, to give unpaid bills and uncleared transactions some time to complete, it is best to choose an end date that is six months or more in the past.

If you select Remove ALL transactions, QuickBooks deletes all transaction regardless of dates.

## If you use payroll

If you use QuickBooks to pay your employees, QuickBooks will not condense payroll data for the current payroll year or the previous one.

For example, if you choose to condense your company file in March, 2003, QuickBooks would not condense payroll data from 2003 or 2002. It would condense payroll transactions from the date you started using QuickBooks through to 31 December, 2001.



You must keep the archive file the Condense function creates in case you need to refer to your payroll transactions during an audit.

As a business owner, you are required to keep your payroll transactions for seven years. Since an archive file contains your payroll transactions for a given period, you must keep it.

Also, you should make sure you have printed records of your most important payroll transactions before you condense your data and create an archive.



## Examples of transactions that would be deleted

- If an invoice has been paid in full, QuickBooks deletes the details and includes the amount in a summary transaction showing income accounts. Neither the customer name nor the items sold are retained. However, if an invoice is not printed or is unpaid, partially paid, or marked as pending, QuickBooks leaves the invoice in your file so you can apply payments to the invoice.
- If you have QuickBooks Pro, condensing deletes only those estimates that are dated on or before the ending date and that have a job status of Closed. If an estimate has any other job status (Pending, Awarded, In Progress, Not Awarded, or None), QuickBooks retains the estimate regardless of its date.
- Only if you choose the option in the Condense preferences: if you have paid a bill for a reimbursable expense, QuickBooks deletes the bill regardless of whether you have invoiced the customer for the expense.

## Examples of transactions that would be retained

The following table gives examples of the situations that cause QuickBooks to retain transactions dated on or before your specified ending date.

When you follow the steps in the Archive & Condense Data wizard, you'll have an opportunity to remove old transactions and unused items to further reduce the size of your data file. However, QuickBooks always retains transactions that meet the following criteria.

When QuickBooks retains a transaction with earlier date	Example of retained transaction
The transaction is linked to another transaction that has an open balance	An undeposited customer payment that you applied to an invoice. Even though the invoice is paid, QuickBooks retains the invoice because it has a link to an open transaction (the undeposited payment).
The transaction is linked to a transaction in the current year.	

## Summary transactions

The summary transactions that QuickBooks creates appear in the registers of your balance sheet accounts (Bank, Accounts Receivable, Accounts Payable, and so on).

Each balance sheet account has one GENJRNL summary transaction for each month in which QuickBooks deleted transactions. The transaction amount is the total of the transactions that QuickBooks deleted for the month.

For a given month, the register may also show other transactions that QuickBooks did not delete. These are transactions that could be affected by transactions you have yet to enter.

When opening a register, you can spot the summary transactions by looking for GENJRNL in the Type field.

To view a breakdown of amounts by account, select a GENJRNL transaction and click **Edit**. The General Journal Entry window shows the breakdown of amounts by account for all summarised transactions for this month.

**Note:** You cannot edit a GENJRNL summary transaction.

## How condensing data affects your reports

### Account balances

After you condense your data, you can still create reports that summarise financial activity for the period of time you condensed. For example, if you condense the last financial year's data, you can still create profit and loss reports that compare last year's results to this year's. This is because QuickBooks adds summary transactions to your company file to preserve monthly account balances.

### Transaction detail

After you condense your data, you won't be able to create reports that show daily detail for the period of time you condensed. This is because QuickBooks has deleted the individual transactions that would have provided the detail. In addition, you won't be able to create reports that show balances for individual customers or suppliers over that period of time.

As a result, the totals for sales revenue on VAT liability reports will be incorrect. As a precaution, QuickBooks creates a backup file in case you need access to the deleted transactions later.

### Cash basis reports

After you condense your data, you won't get an accurate cash basis report for data that includes a condensed time period. This is because QuickBooks has deleted the individual transactions that would have provided the information about whether transactions were paid. As a result, the totals will be incorrect.



To learn about...

Condensing your company file

Search the Help index for...

condensing data

# Reconciling bank and credit card accounts

You should plan to reconcile your bank (current, savings, and deposit accounts) and credit card statements on a regular basis to make sure your records agree with the bank's.

Situation	What to do in QuickBooks
You haven't reconciled these accounts for a month or more.	Reconcile each month you skipped. Balance each month separately, starting with your earliest statement since you've been using QuickBooks, through your most recent statement.
You added earlier transactions in QuickBooks.	<p>After you add earlier transactions, and you want to reconcile past months, you should reconcile month by month only if you've never used the QuickBooks reconcile feature.</p> <p>However, if you've already reconciled one or more months, you should reconcile forward only, that is, reconcile months after your start date. Use the previous months' data for reporting only. You need to mark all older transactions as cleared to reconcile future months.</p>
You are reconciling for the first time.	<p>Enter all uncleared transactions in your account.</p> <p>Update the Opening Balance transaction to reflect the amount actually in your account when you began using QuickBooks.</p>
You cancel in the middle of reconciling.	<p>QuickBooks keeps track of the items you've marked as cleared with an asterisk (*) in the cleared column of the account's register. This indicates that the items are still pending and reconciliation wasn't complete.</p> <p>When you start reconciling again, you'll need to re-enter your ending balance and your bank's charges and interest earned. You'll also need to tick off additional payments and deposits.</p>

When you reconcile, be sure to add any bank service charges, interest earned, and finance charges.



## To learn about...

Reconciling a bank account

Reconciling a credit card account

Adjusting for differences

## Search the Help index for...

reconciling, bank statements

reconciling, credit card statements

reconciling, adjusting for differences

## Matching bank deposits and credit card deposits (QuickBooks Card Solution users)

As a QuickBooks Credit Card Service user, you can use QuickBooks to help match your customers' credit card payments with the lump sum deposit on your bank statement, as well as account for banking fees.

To do this, in the Receive Payments or Enter Sales Receipts window, select the "Group with other undeposited funds" option.

In the Make Deposits window, you can display credit card payments views grouped by credit card type, which lets you see the individual credit card transactions that make up each lump sum deposit.

Often, the bank deposit total is less than the payments you received from individual customers due to credit card transaction fees. QuickBooks calculates the difference for you automatically and lets you assign the transaction fee to an expense account.

**Make Deposits** [How Do I?] [X]

Previous Next Print Payments Journal

Deposit To: Second Bank Date: 07/12/2003 Memo: Deposit

Click Payments to select customer payments that you have received. List any other amounts to deposit below.

Received From	From Account	Memo	Chq No.	Pmt Meth.	Amount
Tommy Sands	Undeposited Funds			Visa	4.17
Tommy Sands	Undeposited Funds			Visa	14.46
Sandy Preston	Sales:Merchandise			Visa	10.52
Wilma E. Nelson	Sales:Merchandise			MasterCard	622.26

Deposit Total 651.41

To get cash back from this deposit, enter the amount below. Indicate the account where you want this money to go, such as your Petty Cash account.

Cash back goes to: [dropdown] Cash back memo: [text] Cash back amount: [text]

Deposit Total 651.41

[Save & Close] [Save & New] [Revert]

# Setting up online banking (account access and payment)

QuickBooks online banking encompasses account access with Barclays Bank. Before you can start using online banking, there are a few things you'll need to do as described in the following table.

What to set up	Comments	Look in the Help Index for...
Internet access through an ISP if you haven't already set this up for another QuickBooks feature	Choose Internet Connection Setup from the Help menu.	Internet connections
If you don't already have an account (current, savings, money market, credit card) at Barclays Bank, you'll need to open one.		online banking, financial institutions
Submit an application for online banking to Barclays Bank.	Application information can be accessed over the Internet or contact your institution directly. There may be a waiting period until you get confirmation.	online banking, setting up
Select an online service for setup, by completing the "Apply Now" section of the Online Banking Setup interview	Enables you to submit an application for online banking at Barclays Bank.	online banking, setting up
When you receive your confirmation and a PIN/password from Barclays Bank, complete the "Enable Accounts" section of the Online Banking Setup interview.	Verify that the information sent to you by the financial institution is correct.	online banking, enabling a QuickBooks account

To start using online banking in QuickBooks:

- 1 From your bank's Web site, select the "Download to QuickBooks" option. (This option looks different for each bank.)
- 2 Choose **Create a new QuickBooks account**, and type the name of your account in the field provided, then select **Continue**.

## Going online for the first time

You should use online banking within the first month of enrolling for online services. The first time you go online, we recommend that you download the most recent transactions that have cleared at your financial institution.

Financial institutions use Web Connect for online banking connections. Web Connect offers online integration through the financial institution's Web site (accessible from QuickBooks or any browser). With Web Connect, you can go directly to your bank's Web site for online banking services.

## Reconciling online accounts

Reconciling your online accounts is a three-phase process.

- 1 To download your transactions, go to the Online Banking Centre, select your financial institution from the drop-down list, and Click "Go Online."
- 2 Match transactions.

View a QuickStatement for the account. The QuickStatement includes all transactions that have cleared your financial institution since the last time you downloaded, including deposits, cheques, transfers, and ABM withdrawals, as well as any transactions that were downloaded previously but not been matched.

QuickBooks automatically matches downloaded transactions to those in your account register. For the unmatched transactions, select one of the transactions from the downloaded statement, click **Add to Register**, and follow the onscreen prompts until the transaction appears in the register. Assign an account from the Account Drop Down list and click **Record** to enter the transaction in the register.

Date	Number	Payee	Payment	✓	Deposit	Balance
15/01/2005		C B & A S K MOORE SALARY TRANSFER	2,500.00			7,500.00
16/01/2005	CHQ	Angie's Bookstore	384.94			7,115.06
16/01/2005	CHQ	Books and Publications	26.20			7,088.86
16/01/2005	CHQ	NICO D D WK276278AMOOOBS9 DDR				
		Cash Discounts				
<b>Ending Balance</b>						<b>6,988.86</b>

Status	Date	Cheque #	Payee	Payment	Deposit
Matched	15/01/2005		NICO D D WK276278AM	26.20	
Matched	16/01/2005		J E JEFFERIES SECRET	100.00	
Unmatched	16/01/2005		CR B AS MOORE BUSI	324.47	
Unmatched	17/01/2005		T F LTD MV24 D0000		2,619.62
Unmatched	19/01/2005		INTEREST CHARGED P	40.02	
Unmatched	20/01/2005		CHARGES AUTO ENTR	32.73	
Unmatched	20/01/2005		O/D PROTECTION S00	16.00	

- 3 When you receive your bank statement for the account, use the Reconcile window.

**Note:** With QuickBooks, you can reconcile only to the paper statement you receive from your financial institution.



### To learn about...

Downloading and matching online transactions

Account reconciliation

### Search the Help index for...

transactions, online

- reconciling, bank statements
- reconciling, credit card statements

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## Working with multiple users

In QuickBooks, you can set up your company file so that different users have different access to features. You can set up as many users as you want. See “Users and passwords” on page 112.

In QuickBooks Pro and higher, up to five people can work with your company file at the same time over a computer network.

### Sharing QuickBooks Pro or higher company files

Using QuickBooks Pro or higher on a network is basically the same as using it on a single computer. For most of your day-to-day tasks, up to five users can access the company file at the same time. When several users are allowed to work in the company file simultaneously, the file is in multi-user mode.

However, for some activities, only one person at a time can use the company file. The other users must log off, close the company file, or exit QuickBooks Pro or higher. Then the person who wants to perform the activity must switch the file to single-user mode. After finishing the activity, the person can switch back to multi-user mode, and the others can log back on or open the company file again.

Single-mode activities include:

- File operations such as backing up, condensing, converting to euro, or exporting data
- Some types of changes to lists
- Adjusting stock
- Activities involving an Accountant’s Review copy

There is also a third category of activities. Although all the networked QuickBooks users (with the correct permissions!) have access to these features, only one person at a time can use them. (For information about restricting access to features, see “Setting up the Administrator and users” on page 113.)

Feature-locked activities include:

- Paying bills
- Running payroll
- Setting up new users or maintaining existing ones

## Refreshing after entering data

If you are creating reports while others are working in the company file, you can use the Refresh button to make sure you have the most current information on your reports. The Refresh button updates your screen with the information that others have entered into QuickBooks Pro or higher since you started the report.

You can refresh lists or forms as you work by pressing **F5** on your keyboard or right-clicking the item and selecting **Refresh**.



### To learn about...

Switching between modes

Your refresh options

### Search the Help index for...

multi-user mode  
single-user mode

Refresh button

## Users and passwords



The QuickBooks password feature provides a basic degree of protection for your data, but it is not a complete security system.

For example, it will not prevent someone using Windows Explorer from deleting your company file.

Some parts of your company's data are more sensitive than others. You can use passwords to make sure that each employee you have can only access those parts of QuickBooks you want him or her to use.

Areas you can protect include sales and accounts receivable, purchases and accounts payable, banking and credit cards, stock, time tracking, payroll, sensitive accounting activities, and sensitive financial reports.

In this way, you maintain the security of your business data even when several people access your company file at the same time. Until you set up users (and passwords) in your QuickBooks company file, any person who accesses the file will have full access to all features of the programme.



# Setting up the Administrator and users

## About the QuickBooks Administrator

**Note:** QuickBooks may ask for a password even though you have not set up any passwords. If this occurs, leave the name Admin in the User Name field as is and leave the Password field blank. You can still access your company file.

When you create a QuickBooks company file, QuickBooks creates a user called "Admin." This user is the QuickBooks Administrator for the company file. You can set up a password for the Administrator. When you assign a password to the Administrator, QuickBooks prompts you to log on when you open the company file.



Do not forget the Administrator's password. Once you've chosen a password for the Administrator, write it down and store it in a safe place.

An Administrator's password, if forgotten, cannot be recovered. If you forget this password, you'll have to send your company file to Intuit (there is a fee associated with this service).

The QuickBooks Administrator has unlimited access to the entire company file and is the only person who can add additional users and change access privileges. For each user he or she sets up, the Administrator designates:

- A password. The password can contain up to 16 letters and numbers and is case sensitive. The user can change the password later, but the Administrator will still be able to make changes to the user's access privileges and can assign the user a new password, if necessary.
- Full access, selective access, or no access to each area of QuickBooks.

## Setting up and customising users

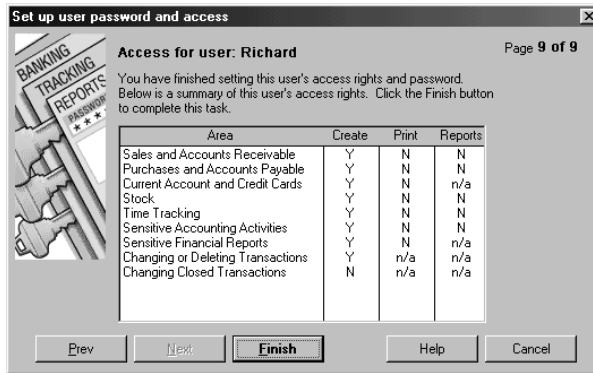
After you've set up the Administrator, you can add new users. Use the New User Setup wizard to select the parts of QuickBooks you want the new user to use.

- From the Company menu, choose **Set up Users**.

You can set up as many users as you wish. However, only five users can access the company file at the same time in QuickBooks Pro and higher.

**Note:** In Windows 2000, using the Users and Passwords control panel, you can set up each of your employees with a log-in profile. All the people who will use QuickBooks must be set to Standard User (Power Users Group) or higher, not Restricted User (Users Group). Otherwise, QuickBooks will not run properly.

When the wizard finishes, a summary screen for all your users appears:



### To learn about...

The different access areas

The role of the Administrator

Setting up users with passwords

Changing passwords

Deleting passwords

### Search the Help index for...

passwords, access areas

admin

users, adding

passwords, changing

passwords, deleting

## Using permissions to close an accounting period

Unlike most other accounting systems, QuickBooks does not require you to “close the books” at the end of an accounting period. Closing books is often a complicated process that involves transferring information from one ledger to another and summarising it. You can generate reports at any time, not just at the end of the year.

However, you may want to restrict access to the transactions of prior accounting periods to be sure the transactions are not changed without your knowledge. By requiring permission to delete, add, or edit any transaction before a chosen date, you can discourage accidental or casual changes to “closed” periods, but still make corrections when necessary. For example, you may want to prevent your staff from making changes to your older transactions after you’ve paid the VAT liabilities for them (see “Locking past VAT quarters” on page 139).

You can restrict users from accessing older transactions when you set them up. To deny users access to “closed” periods, do not grant them permission to Change or Delete Transactions recorded before the closing date.

Then enter the closing date in the User List window (from the **Company** menu, select **Set Up Users**).



## To learn about...

Using permissions to "close" your books

## Search the Help index for...

closing periods

# Recording who changed what in the Audit Trail

QuickBooks can record all changes made to transactions and the name of the user who made the changes. Then, you can review the changes in the Audit Trail report.

To keep an ongoing record of changes to transactions, you must make sure the audit trail is turned on and kept on. If the preference is turned off for a period of time, QuickBooks does not keep a record of changes, if any, to the transactions in that period.

Trans no	Type	Entered/Last Modified	Last m...	Date	Name	Num	Account	Amount	VAT Am...
<b>Current Transaction</b>									
69	Invoice	20/03/2000	Admin	16/03/2000	Sandhur...	43	Accounts Rece...	1,883.55	
					Sandhur...		Materials	-83.02	-14.53
					Sandhur...		Materials	0.00	0.00
					Sandhur...		Labour	-1,520.00	-266.00
<b>Previous Transaction</b>									
69	Invoice	24/03/2000	Admin	16/03/2000	Sandhur...	43	Accounts Rece...	1,876.58	0.00
					Sandhur...		Construction Inc...	-77.09	0.00
					Sandhur...		Construction Inc...	0.00	0.00
					Sandhur...		Construction Inc...	-1,520.00	0.00
					Sandhur...		VAT Control	-279.49	0.00

Choose the date range you want to see on the report.

The Current Transaction entry shows what the transaction is like now; the Previous Transaction shows what it was like before the change.

You can also see who made the change and when.

If your computer is older, or you make a lot of changes to existing transaction, QuickBooks may slow down slightly when the Audit Trail is on. Also, the size of your company file may increase more rapidly than it has in the past.

These changes occur because instead of writing over transactions you change, QuickBooks records both the original transaction and all changes to it. However, for most users, the performance of QuickBooks should not change.



## To learn about...

Using the audit trail feature

## Search the Help index for...

audit trail

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# Solving printing problems

If you're having trouble printing, try checking these areas before you ring the QuickBooks Support.

## When should I reinstall my printer driver?

If your printer has any of these problems, you may have reinstall your printer driver in Microsoft® Windows, or contact the printer's manufacturer for assistance.

- Your printer isn't printing at all, from any programme.
- Your printer prints "garbage" from any programme.
- Your printer won't feed paper correctly.

QuickBooks Support also has information specific to some printers. For more information, look under the Help menu.

## Nothing happens when you try to print

There are several things you can try:

- Make sure the printer is turned on and is online.
- Try printing from another application to verify that Windows can still communicate with the printer.
- Check for stalled printing jobs on your printer.
  - a) From the Start menu, select **Settings**, then **Printers**.
  - b) In the list, double-click the printer you're using.
  - c) Select the stalled print job in the list.
  - d) From the Document menu, select **Cancel Printing**.

## The form is clipped on the top, bottom, left, or right

Likely, you only need to adjust the form's margins and alignment. However, some printers can't print the entire width necessary for the standard forms that come with QuickBooks. In this case, you'll need to customised the form to have larger margins.

To adjust the margins for forms:

- 1 In QuickBooks, from the **File** menu, choose **Printer Setup**.
- 2 Choose the form you want from the Form Name drop-down list.
- 3 Click the **Margins** tab.
  - If there is no Margin tab, you need to adjust the form's alignment instead. See "To adjust alignment of forms" on page 117.

- 4 Set the margin you want in the Left, Right, Top, and Bottom fields.  
QuickBooks displays the margins in inches, but you can enter margin sizes in inches (in), millimetres (mm), centimetres (cm), points (pt), or picas (pi).  
If you find that QuickBooks leaves larger margins than you entered, your printer may be unable to print outside a specific area. Most printers cannot print with margins smaller than .25 inches. Many require margins no smaller than .5 or .67 inches. Check your printer manual or contact the printer manufacturer if you have such a problem.  
If you're using a continuous printer, you may have to slide the paper clamps over to get the printer to start at the position you want.
- 5 Click **OK** to save the changes.

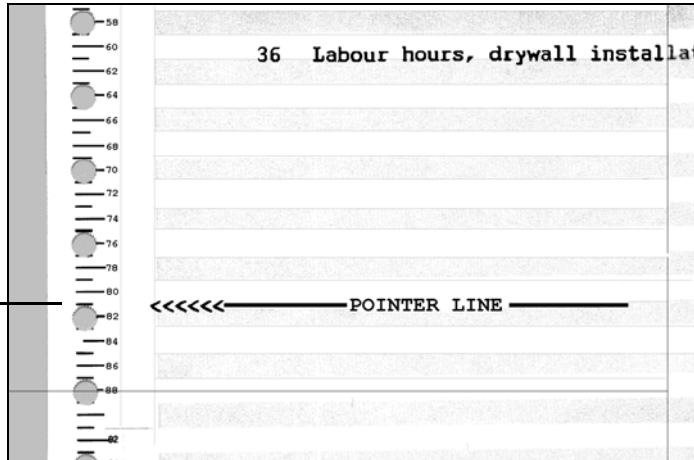
To adjust alignment of forms

Coarse alignments:

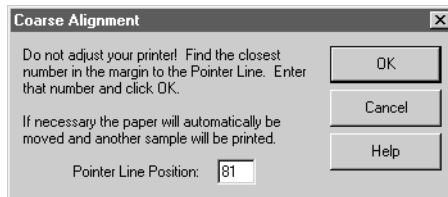
This adjustment is only needed for continuous-feed (dot matrix) printers. Use it when the printed text on your form is off vertically by more than a line or two.

- 1 Make sure your printer is turned on and is online, with the forms you want to print inserted to the printer's paper feeder.
- 2 From the File menu, choose **Printer Setup**.
- 3 Choose the form you want from the Form Name drop-down list.
- 4 Click **Align**. (If the Align button is not available, that form cannot be aligned.)
- 5 If a list of templates appears, click the one you want and click **OK**.  
QuickBooks displays a window where you can choose coarse or fine adjustments.
- 6 Click **Coarse**.
- 7 Click **OK** to print a sample form.
- 8 Look at the pointer line that QuickBooks prints across the middle of the sample form. Determine the number that it points to. **Do not adjust your printer.**

If the text does not line up properly on the form, determine the closest number to the pointer line, rounding up. In this example, you'd enter 81.



- 9 Type the number in the Pointer Line Position field in the window that appears, then click **OK**.



If necessary, QuickBooks advances the paper in the printer to correct the alignment, and then prints another sample.

- 10 Note the correct position of the form for future positioning.

Visually line up part of your printer, such as the sprocket cover or print head, with one of the position numbers along the edge of the form. Make a note of this spot, so you can use it in the future as an alignment cue to position your forms visually.

Even if your printer has an “autoload” or “park” feature (the printer puts the paper in the same place each time you load it), you need to manually line up your forms for coarse alignment using a visual cue. QuickBooks does not remember placement relative to your printer’s autoload point.

- 11 (Optional) In the Align window, click **Fine** to make further adjustments, then go on to Step 5 of the Fine-alignment process (below).

Fine-alignment adjustments:

This method of adjustment is available for all type of printers.

- 1 Make sure your printer is turned on and is online, with the forms you want to print inserted to the printer's paper feeder.
- 2 From the File menu, choose **Printer Setup**.
- 3 Choose the form you want from the Form Name drop-down list.
- 4 Click **Align**. (If the Align button is not available, that form cannot be aligned)
- 5 If a list of templates appears, click the one you want and click **OK**.
- 6 If you are using a continuous-feed printer, QuickBooks displays a window where you can choose coarse or fine adjustments. Click **Fine**.
- 7 Click **Print Sample**. QuickBooks prints the form with a small alignment grid on it, made up of 1/10 inch squares.
- 8 Check the horizontal and vertical alignment of the text in the alignment grid.
- 9 Enter amounts in the Vertical and Horizontal fields to move the printed text to align it. (The alignment values are in hundredths of an inch. For example, 25 means 0.25 of an inch.)
  - For continuous-feed printers, if the printing is off to the left or right, slide the paper over to correct the problem. Use the Fine Alignment window for changes of less than 0.25 inch only.

Problem	Solution
Text prints too high.	Decrease the number in the Vertical field. For example, if the text is printing 2 squares (that is, 0.2") too high, type <b>-20</b> in the Vertical field.
Text prints too low.	Increase the number in the Vertical field. For example, if the text is printing 1 1/2 squares (that is, 0.15") too low, type <b>15</b> in the Vertical field.
Text prints too far to the left.	Increase the number in the Horizontal field. For example, if the text is printing a 1/2 square (that is, 0.05") too far to the left, type <b>5</b> in the Horizontal field.
Text prints too far to the right.	Decrease the number in the Horizontal field. For example, if the text is printing 1 square (that is, 0.1") too far to the right, type <b>-10</b> in the Horizontal field.

- 10 Click **Print Sample** to see if the form is now aligned correctly.
- 11 When you are finished making adjustments, click **OK**.  
QuickBooks saves the horizontal and vertical alignment adjustments.
- 12 Click **OK** in the Printer Setup window.

## Dates and the bottoms of letters are clipped on forms

The font you're using may be too large. In the Printer Setup window, click **Font**. Try a font size of 10 points or less.

### Changing fonts

Font options are now available for all types of forms.

- 1 In QuickBooks, from the File menu, choose **Printer Setup**.
- 2 Choose the form you want from the Form Name drop-down list.

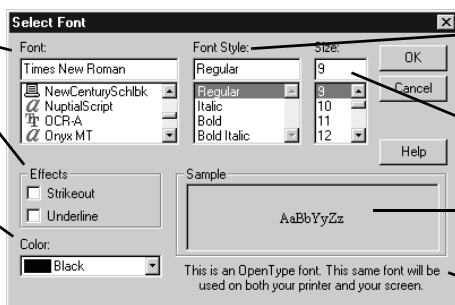
**Note:** You can't change the fonts on some forms here. You can change the fonts on these forms by clicking the Customise button on the forms.

- 3 Click the **Fonts** tab.
- 4 Choose the font you want.

Choose the font.

Select one or both of these check boxes to strikeout and underline text.

Choose a colour (not available for cheques). If you have a colour printer, you can print any other form in colour.



You can change to italic, bold, or a combination.

Choose a point size. Most people prefer a size between 9 and 12 points.

You can see what the font looks like here.

A description for the selected font type appears here.

- 5 Click **OK** in the Select Font window and the Printer Setup window to save the changes.

## Printing is slow

There are several things you can try:

- Lower the print resolution for your laser printer: In the Settings tab of the QuickBooks Printer Setup window, click **Options**. Then click the **Graphics** tab and set a smaller number of dots per inch.
- If you're printing on blank paper or letterhead, do **not** choose to print lines around each field. In the Settings tab of the QuickBooks Printer Setup window, clear the **Print Lines** check box.
- Make more computer memory (RAM) available by closing down programmes you don't need.



## Tracking and paying VAT

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### How do I collect and pay the right amount of VAT?

This chapter explains how to set up VAT tracking in QuickBooks. It helps you determine how much tax to collect on sales you make, how to record the VAT you pay on business purchases, and how to remit your VAT to the government .



You are responsible for consulting with a tax advisor about the VAT regulations, especially if you do business internationally.

For detailed information about collecting and remitting VAT, please consult your local office of HM Revenue & Customs.



If you upgraded from an earlier version of QuickBooks, go to the Resource Area in QuickBooks for information on how the government name change affected VAT tracking in QuickBooks.

At the Resource Area window, click Updates. There, you will find instructions on how to change your Inland Revenue and HM Customs & Excise suppliers to HM Revenue & Customs.

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# Does your business need to be registered?

Although businesses with an annual turnover below £60,000 are exempt, HM Revenue & Customs recommends that most businesses register to collect value added tax (VAT).

Registered businesses track the VAT collected from customers (output tax) and paid on purchases (input tax). Usually, you collect more output tax from sales than input tax on purchases, and must pay the difference to HM Revenue & Customs. If more input tax has been paid than output tax charged, you will be refunded by HM Revenue & Customs.

If you require more information on whether you should be registered to collect VAT, contact HM Revenue & Customs National Advice Service (0845 010 9000) or consult with your accountant.

## How QuickBooks tracks VAT

Keeping track of VAT can be a challenge. Some items you sell may be taxable while others may not, and some items may be taxed at different rates than others. Also, most customers must be charged VAT, while certain ones may be exempt.

Fortunately, QuickBooks can help you automate these complexities. Take the time to set up your QuickBooks company for VAT carefully, so you can enter sales and purchases quickly, you'll have accurate information about the VAT you've collected and paid when it comes time to remit it.

QuickBooks automatically creates an account called VAT Control when you set up your company. As you enter sales invoices, cash sales receipts, credit memos, bills, credit card transactions, and cheques that have a VAT component, QuickBooks automatically records the VAT amount in the VAT Control account.

QuickBooks' flexible VAT reports make it easy for you to understand your VAT position in a variety of ways. For instance, QuickBooks can prepare VAT reports on a cash basis even if you're reporting income and expense on an accrual basis. They can tell you if you owe money to HM Revenue & Customs or if you are due a refund, and also provide all the information necessary for filling out your VAT return (subject to going on the cash or standard VAT scheme).

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# Setting up VAT tracking

## VAT accounting schemes

There are two main methods or schemes of accounting for VAT: “cash” and “standard.” The VAT due is worked out differently in both cases, so you need to know which one applies to you. If you are not sure which scheme to use, contact your local VAT office.

If you are registered under a VAT scheme other than “cash” or “standard” (for example, for retail, fixed rate, annual etc.), consult with your accountant on how to prepare your returns using QuickBooks. At present, QuickBooks supports the two most-common VAT schemes (cash and standard).

### Cash VAT accounting

With the cash VAT scheme, you treat income and expenses as having happened on the date that the payment was received or made.

For example, let us assume that you report “quarterly” and your return covers the months of January, February and March. If you invoiced a customer on 1st February for £1,000.00 plus £175.00 VAT and she paid you on 1st April, the VAT would be reported in your return for the April - June period. Your VAT payment should be sent to HM Revenue & Customs no later than the end of July.

### Standard (accruals basis) VAT accounting

If you account for VAT using the standard scheme, you treat income and expenses as having happened on the invoice/VAT date.

In this case, it makes no difference when you were paid; your latest payment date for VAT on this transaction would be at the end of April.

### If you change your VAT accounting scheme

**Note:** The accounting basis for VAT is usually accrual (not cash).

If the annual value of your taxable supplies is below £660,000 you may find it to your advantage to use the cash accounting scheme. This is because VAT is not liable to be paid until you have actually received the payment from your customer. It is particularly beneficial if you give your customers lengthy periods of credit or if you have a high level of bad debts. ( VAT Notice 731)

If the annual value of your taxable supplies is above £825,000 you must switch to accrual basis bookkeeping.

If you switch from cash basis to accrual basis accounting, you cannot retrospectively apply the cash accounting scheme to your business.

If switching from an accruals scheme to cash scheme, you must, from the date you start to use the scheme, identify and separate in your records any payments you receive or make for transactions already accounted for under the normal method of VAT accounting. Exclude such payments from your scheme records

The Accrual or Cash setting in the Reports and Graphs section of the Preferences window does not affect VAT Reports.

We recommend seeking advice from your accountant for this procedure.

## VAT reporting periods

When you set up your QuickBooks company, you set up your VAT reporting period using information from the Certificate of VAT Registration you received from HM Revenue & Customs. Your reporting periods refer to how often you remit your VAT return.

If your VAT reporting period changes, choose **Preferences** from the Edit menu, click VAT in the scroll box, click the **Company** tab, and select your new reporting period from the **VAT Reporting** drop-down list.

### Quarterly

QuickBooks defaults to a quarterly reporting period for VAT. When you set up your QuickBooks company, you entered the months when each of your VAT quarters ends. This is normally every three months.

### Annually

If you have been registered for VAT for at least 12 months and the annual value of your taxable supplies (excluding VAT) is below £660,000, you may be able to use the Annual period. With the annual reporting period, you can make nine equal monthly payments by direct debit to HM Revenue & Customs based on an estimate of the amount of VAT due. These start at the end of the fourth month of your financial year. Within two months of the end of your financial year, you must send in your annual VAT return with a tenth balancing payment.

If your turnover is more than £100,000, you will be required to make monthly interim payments.

To record your direct debit payments to HM Revenue & Customs, you should set up a QuickBooks standing order (by recording the first payment, memorising it, and selecting the “Standing Order” option in the Memorised Transactions window). Start the standing order at the end of the fourth month of your financial year and enter nine in the **Number Remaining** field (to cover the next nine months).

After nine standing-order payments (or when the **Number Remaining** field is reduced to zero), QuickBooks deactivates the standing order. Enter the tenth payment or refund directly into your current account. In the following year, reactivate the standing order by entering nine in the Number Remaining field. You may also want to edit the amount you're paying if the installment payments have changed.



To learn about...

Creating a standing order

Search the Help index for...

standing orders, creating

## Other accounting periods

You can also use QuickBooks to track VAT on a monthly or bi-monthly period. If you report VAT monthly or bi-monthly, when creating VAT reports, make sure you select the correct starting and ending dates for the reporting period in question.

## Turning on VAT tracking

If you haven't done so already (through the EasyStep Interview), you need to turn on the VAT preference for QuickBooks to begin tracking VAT.

To turn on the VAT preference:

- 1 From the Edit menu, select **Preferences**.
- 2 Select **VAT** from the scroll box, then click the **Company Preferences** tab.
- 3 Set the preferences according to your business needs, then click **OK**.

Choose your reporting period here. This is how often you remit your VAT return. When you create your VAT return, its time frame is based on these settings.

The screenshot shows the 'Preferences' dialog box with the 'Company Preferences' tab selected for 'VAT'. The 'Do you track VAT?' option is set to 'Yes'. The 'VAT Registration ID' is 3902 4231 26. The 'VAT Agency' is HM Customs & Excise. The 'VAT Reporting' frequency is set to 'Quarterly'. The 'Ending' date is Mar/Jun/Sep/Dec. The 'Return due' is 15 day(s) after the reporting period ends. The 'VAT reporting basis' is set to 'Cash basis (Cash Accounting Scheme)'. The 'Sales figures' are set to 'Net (Exclusive of VAT)'. The 'Default VAT Code' is set to '1'. The 'Allow customer VAT codes' checkbox is checked. The 'Default customer VAT Code' is set to '1'.

If you have customers with special VAT status, tick this box. You can then assign a VAT code to him or her. For more details, see "Assigning VAT codes to customers" on page 128.

**Tip:** For details on setting default VAT codes, see "Setting up a default VAT code for new items" on page 127.

## Entering VAT liabilities as of your start date

If your business collected VAT before you began using QuickBooks, you need to enter the amount you owe to HM Revenue & Customs as of your QuickBooks start date. These can be done by doing General Journal entries but you should consult with your accountant on the best method for you.

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## Setting up and using VAT codes

The VAT code list is the backbone of your VAT tracking. QuickBooks uses VAT codes (and their associated rates to calculate VAT) on sales and purchases. When you create an item, you enter the appropriate VAT code to indicate what rate applies to it.

Default VAT codes are created when you set up your QuickBooks company. For example, VAT code S indicates that an item will be bought and sold domestically at the standard VAT rate of 17.5%.

Each time you create an item to sell or purchase, be sure to assign it a VAT code. Then, every time you enter a sale or purchase, the item's VAT code appears automatically on the sales form.



### To learn about...

Creating an item

### Search the Help index for...

items, creating

If you need a different VAT code for the transaction (for example, if you are selling an item to a VAT-registered business in an EC member state), just change the VAT code when it appears on the sales form.



Be sure that your VAT codes are set up properly, and that you use the correct one on each transaction, particularly if you do business with companies located in EC member states.

QuickBooks uses VAT codes to track information for VAT reports. If your VAT codes are not set up correctly or are not used properly, the VAT reports (and therefore your VAT return) may be inaccurate.

To create a new VAT code:

- 1 From the Lists menu, choose **VAT Codes list**.
- 2 Click the **VAT Code** menu button (at the bottom of the VAT Code List window), then choose **New**.
- 3 In the VAT Code field, enter a unique code.
- 4 Type the VAT percentage represented by this VAT code.
- 5 Type a brief description (for example, Standard) for this code.
- 6 If you will use this VAT code to track VAT on transactions with VAT-registered businesses in EC member states, tick the **EC Code** check box.  
For more information, see “Handling VAT for EC member states” on page 130.
- 7 Click **OK**.

## Setting up a default VAT code for new items

You can specify a default VAT code in QuickBooks. With a default VAT code, all new items you set up are assigned this code by default.

**Tip:** Even with a default VAT code specified, you can still change VAT codes “on the fly” on most forms. By specifying the VAT code you use most often as your default VAT, you may not have to change VAT codes for individual line items very often.

To set up a default VAT code:

- 1 From the Edit menu, choose **Preferences**.
- 2 Click **VAT** from the scroll box on the left, and click the **Company** tab.
- 3 From the Default VAT Code field, select the code you use most often when buying and selling goods and services.

## Assigning VAT codes to items

To let QuickBooks know how to tax the goods or services (items) you buy and sell for your business, assign each item a VAT code as you set it up in the Item List.

Once you have done so, QuickBooks calculates the correct VAT applicable to them when they are used on sales and purchase forms. (If you are unsure of what VAT code to use for your goods and services (items), check with HM Revenue & Customs or your accountant.



To learn about...

Assigning VAT codes to items

Search the Help index for...

items, assigning VAT codes to

## Assigning VAT codes to customers

If you have regular customers who have special VAT status (for example, who are exempt from paying the VAT), you can assign them a VAT code that, when used on a form, overrides VAT codes that have been set up for items. This will save you time when creating your sales forms.

For example, if you have a customer who is a charity organisation, the organisation may be exempt from paying VAT for your services. In this case, you can assign this customer an “E” VAT code (for exempt). The “E” VAT code then appears on all invoices you create for this customer instead of the default VAT codes assigned to the service items.

To assign a VAT code to a customer:

- 1 From the **Edit** menu, choose **Preferences**.
- 2 Click **VAT** from the scroll box on the left, and click the **Company** tab.
- 3 Tick the **Allow customer VAT codes** check box and select the VAT code you want to assign to this customer.
- 4 Open the Customer:Job list (from the **Customer** menu, select **Customer:Job List**), then double-click the name of the Customer to which you want to assign a VAT code.
- 5 Click the **Additional Info** tab.
- 6 Tick the **Use customer VAT code** check box, then select the VAT code you want to assign to this customer.
- 7 Click **OK**.



### To learn about...

Turning on the Customer VAT Codes

Setting up customers

### Search the Help index for...

VAT codes, turning on

customers, adding new



## Using VAT codes on sales and purchases

Once you have assigned VAT codes to the items you sell and buy, and assigned customer VAT codes to customers with special VAT status, QuickBooks automatically applies the correct VAT as you fill in forms.

If you need to apply a different VAT code to an item, you can still select the item's VAT code from the form.

Quantity	Item	Description	Price	VAT	VAT AMT	Amount
4	Dressers:Pine ...	Pine Welsh dresser	288.00	5	201.60	1,152.00
TOTAL						£2,679.00

The VAT code that is being applied to this item is shown here.

QuickBooks gets this code from the Item List where you can assign a default VAT code to your items.

You can change this VAT code "on the fly" at any time. Simply click on the VAT column and select a different VAT code from the drop-down list.



### To learn about...

Using a VAT code on a form

### Search the Help index for...

VAT codes, changing on forms

## What the Zero-Rated (Z) VAT code is for

Certain goods and services are zero-rated meaning they are taxed at a rate of 0% instead of the standard 17.5%. To see whether the items you sell are Zero Rated, check with HM Revenue & Customs or your accountant. Some examples are books, newspapers, young children's clothing and shoes, and exported goods.

If you sell a Zero Rated item, you charge your customers 0% VAT on it. This means that you do not collect any VAT to remit to HM Revenue & Customs, but because the item is taxable, you can reclaim the input tax you paid on the purchase. For that reason, do not use the Exempt VAT code for Zero Rated items you sell. Use the Zero Rated code instead.

## Handling VAT for EC member states



EC VAT regulations vary between goods and services.

Check with HM Revenue & Customs or your accountant about the exact EC VAT regulations that apply to your business.

As a VAT-registered business, if you purchase supplies for your company from another VAT-registered business in an EC member state, you may be able to receive them net of VAT. That is, you provide your VAT number to the supplier in the other country, and the supplier sends the supplies to you without charging you VAT on them.

The same holds true for the reverse: you may be able to ship supplies to a VAT-registered business in an EC member state without charging that business VAT.

However, on your VAT return, you still need to account for the VAT that would have been charged on your transactions with businesses in EC member countries. QuickBooks' standard VAT 100 report can track your sales to and purchases from businesses in EC member states. To track these values, you need to create additional, separate VAT codes with the **EC Code** check box ticked:

- **EZ — 0.0%:** Eurosales and purchases, zero-rated. This code should be used for all sales to and purchases from EU member states that would be zero-rated acquisitions in the UK.
- **ES — 17.5%:** Eurosales and purchases, standard-rated. This code should be used for all sales to and purchases from VAT-registered companies in EU member states that would be standard-rated acquisitions in the UK.



When you create an EC VAT code, be sure to tick the "EC Code" check box in the New VAT Code window.

If the business you are dealing with is registered for VAT, you must also enter its VAT registration number:

- If you buy supplies from the business, enter its VAT registration number in the Additional Info tab of its Supplier profile.
- If you sell items to the business, enter its VAT registration number in the Additional Info tab of its Customer profile.

**Note:** If the business you buy from or sell to is in an EC member state but is NOT registered for VAT, leave the VAT registration number fields blank.

When you complete a transaction with a business in an EC member state and select an EC VAT code on the sales form, QuickBooks checks to see whether the business has a VAT registration number:

- If there is a VAT registration number, QuickBooks accounts for the VAT on your VAT return, but does not charge it to the customer (that is, QuickBooks does not add VAT to the transaction total).

- If a VAT registration number is not present, QuickBooks accounts for the VAT on your VAT return and adds the appropriate amount to the total.

**Note:** If your business makes exempt supplies, you may need to make a VAT partial exemption adjustment before filing your VAT return. See page 141.

## Handling import VAT for non-EC countries

When you import goods from outside the EC, they must be cleared through HM Revenue & Customs before entering the UK. Customs clearance usually involves paying import VAT (as VAT is also a tax on the importation of most goods).

To record import VAT:

- 1 From the Suppliers menu, choose **Enter Bills**.
- 2 Enter the bill from your non-EC supplier.
- 3 Type **Z** in the VAT code column.  
The bill should not have any VAT on it.
- 4 Click **Save & Close**.

If you are recharged import VAT by your supplier:

- 1 From the Suppliers menu, choose **Enter Bills**.
- 2 Enter a bill for the amount of the VAT.
- 3 In the Account column of the Expenses tab, assign your Import VAT expense account.
  - If you do not have an Import VAT expense account, select <Add New> to create one now.
- 4 Type **S** in the VAT code column.
- 5 Enter the entire amount of the VAT in the VAT Amount column.
- 6 Click **Save & Close**.

## Deferment arrangement

If you have a deferment arrangement, HM Revenue & Customs will collect import VAT from your bank account by direct debit and send you a C79 certificate at the end of the month detailing the VAT they have collected.

To record import VAT paid by direct debit:

- 1 From the Banking menu, choose **Write Cheques**.
- 2 Enter a cheque in your current account for the amount of the import VAT as shown on the C79 certificate.
- 3 Leave the account column blank. Type **S** in the VAT code column and the entire VAT amount in the VAT Amount column.
- 4 Click **Save & Close**.

## Handling fuel scale charges

QuickBooks can easily handle the VAT you must pay if you have employees for whom you provide fuel for business and private use.

For each VAT period, you should calculate the output VAT that is due using the fuel scale charge table provided by HM Revenue & Customs. We recommend you use a spreadsheet to do this.

To record VAT on private fuel:

- 1 From the Banking menu, choose **Make Journal Entry**.
- 2 Fill out the end date of your VAT period and an entry number.
- 3 On the first line, choose the account you use to track fuel benefits, then enter the total inclusive of VAT in the Debit column.

Account	Debit	Credit	VAT	VAT Amount	Memo	Name
Motor Expense	232.09					
Motor Expense		197.52	S	34.57		

These radio buttons appear once a VAT code has been selected in the VAT column.

- 4 On the second line, enter the net amount (i.e., exclusive of VAT) in the Credit column, then choose the VAT code.
- 5 Select the **Output** radio button.
- 6 Click **OK** to record your entry.

---

## Determining your VAT liability

You must file a VAT return each period even if you do not owe money or expect a refund.



If you are using "cash" VAT reporting, follow the steps under "Completing a cash-basis VAT return" on page 136.

## Creating VAT reports

At any time, QuickBooks can create reports to show your VAT situation. You can create reports that are cash or accrual based.

To prepare your VAT return, you should run a VAT 100 report covering your reporting period. You should also create VAT Summary and Detail reports to verify the accuracy of your VAT 100 report.

QuickBooks offers several VAT reports. You should print all when you prepare your VAT return, then file them in a safe place for future reference.

- **VAT 100:** This shows you the amounts you need to fill in your VAT return, including your EC VAT amounts, if any. This is strictly a liability report and shows the VAT information as of the date specified in the 'As of' field. If you want the report to be as of a different date change the date in the 'As of' field (if your accounting basis is accrual) or the 'To' field (if your accounting basis is cash).
- **VAT Summary:** This report provides a summary of transactions by VAT code. It includes total inputs (purchases), total outputs (sales), and the balance due to or from HM Revenue & Customs at the end of a reporting period. If you choose a longer period than your VAT quarter, the report splits the figures by VAT quarter.
- **VAT Exception:** This report shows unfiled VAT transactions up to the end of the previous VAT reporting period. This accrual-basis report is a good resource to find any outstanding VAT you may owe from previous VAT reporting periods. This is strictly a liability report and shows the VAT information as of the end date of the previous VAT reporting period.
- **VAT Detail:** This report is an exploded version of the VAT Summary report, showing the totals of inputs (purchases) and outputs (sales), and of input tax and output tax. You can create VAT detail reports for accrual-basis or cash-basis reporting.
  - **Accrual basis**  
When you use this option, QuickBooks prepares a complete list of your VAT-related transactions for a selected period.
  - **Cash basis**  
When you use this option, QuickBooks prepares two reports — one report includes the VAT amounts and the other includes the net amounts for each item bought or sold. You can tile or cascade the reports to see them both on the screen at the same time.
- **EC Sales List:** This report provides a summary of sales made to VAT-registered businesses in EC member states, sorted by the business' VAT registration numbers. This report is always calculated on an accrual basis, regardless of your usual VAT reporting preference.

To create a VAT report:

- 1 From the Reports menu, choose **VAT**, then **VAT Summary**, **VAT Exception**, **VAT Detail**, **VAT 100**, or **EC Sales List**.

QuickBooks creates the report for the appropriate period using the reporting preferences you specified in your VAT Preferences. QuickBooks also uses the reporting basis (accrual or cash basis) you chose in VAT Preferences.

For example, if you choose VAT Detail and you're VAT reporting preference was set to "Cash", QuickBooks prepares two reports.

- 2 (Optional) Customise the report.

QuickBooks allows you to run VAT reports for different periods. You will need to customise the VAT reports if your VAT accounting periods are non-standard.

- 3 If you want to print the report, click **Print**.

## Completing an accrual-basis (standard scheme) VAT return

The File VAT window lets you easily remit the VAT you've collected to HM Revenue & Customs.

- 1 From the Suppliers menu select VAT, then File VAT.
- 2 Note the date in the 'Show VAT through' field. The default date is the last day of the previous month. If you want to see your VAT liability through a different date, change this field.
- 3 Click in the Pay column of the liability you are paying.
- 4 Select the account that the funds are to be paid out of from the Payment Account drop-down list.
- 5 Select the 'To be printed' radio button if you do not want to assign a cheque number to the payment until you print the cheque.

or

Select the 'Assign cheque no.' radio button to assign a cheque number to the payment as part of this step.

- 6 Note the Payment Date. This is the date that appears on the transaction in your VAT Control account.
- 7 Click Next to continue to the Value Added Tax Return form.
- 8 Complete the VAT Return form and click Next. Clicking the next button does the following:
  - Create a VAT return for the period (date 1) to (date 2);
  - Mark all the transactions that are included on this return as 'filed' (an 'F' will appear beside the transactions in the register);
  - Create a cheque to pay your VAT liability or create an invoice to record your VAT refund.

**Warning:** This step cannot be undone. Click Cancel now if you still need to make changes to your VAT return. Otherwise, click Continue to permanently save your VAT return and liability payment (or refund invoice).

## File VAT window explained

Field	Box	Description
VAT due in this period on sales and other outputs	1	Shows the VAT due on all goods and services you supplied in this period.
VAT due in this period on acquisitions from other EC Member States	2	Shows the VAT due (but not paid) on all goods and related services you acquired in this period from other EC Member States
Total VAT due (the sum of boxes 1 and 2)	3	Show the total amount of the VAT due; i.e. the sum of boxes 1 and 2. This is your total output.
VAT reclaimed in this period on purchases and other inputs	4	Shows the amount of VAT deductible on any business purchases including acquisitions of goods and related services from other EC Member States. This is your input tax.
Net VAT to be paid to Customs or reclaimed by you	5	If this amount is under £1, you need not send any payment, nor will any repayment be made to you, but you must still fill in this form and send it to VAT Central Unit.
Total value of sales and all other outputs excluding any VAT	6	Shows the value excluding VAT of your total outputs (supplies of goods and services). Include zero rated, exempt outputs and EC supplies from box 8.
Total value of purchases and all other inputs excluding any VAT	7	Shows the value excluding VAT of all your inputs (purchases of goods or services). Include zero rated, exempt and EC acquisitions from box 9.
Total value of all supplies of goods and related services to other EC Member States	8	EC Trade Only: Box 8 and 9 are only used if you have supplied goods to or acquired goods from another EC Member State. Include related services such as transport costs where these form part of the invoice or contract price. The figures should exclude VAT.
Total value of all acquisitions of goods and related services to other EC Member States	9	

## Completing a cash-basis VAT return

**Note:** This method of paying your VAT does not mark your VAT Control transactions as 'Filed'. You will have to correct this situation if in the future you switch to accrual basis reporting.

- 1 Open the VAT 100 report (from the Reports menu, select VAT). This shows you the amounts you need to fill in your VAT return, including your EC VAT amounts, if any.
- 2 Select the VAT return period dates.  
When you use this option, QuickBooks prepares two reports — one report includes the VAT amounts and the other includes the net amounts for each item bought or sold. You can tile or cascade the reports to see them both on the screen at the same time.
- 3 If the 'Net VAT to pay' (box 5) amount is positive, from the Suppliers menu, select Pay VAT Liability.
- 4 The Write Cheques window is automatically filled in with the relevant VAT liability information. Leave the rest of the Expenses tab and all of the Items tab blank.
- 5 Complete the remainder of the cheque, then click 'Save and Close'.  
When you record the cheque, QuickBooks automatically records a decrease in liability within your VAT Control account.
- 6 Submit this cheque with a completed VAT Return form to HM Revenue & Customs.

VAT payments do not affect VAT reports at all. After you pay your VAT for the quarter (or for whatever accounting period you use), your VAT reports for that period still show the amount you owed. This lets you provide the necessary support in the event of a VAT audit.

## Receiving a VAT refund from HM Revenue & Customs

### Recording a VAT refund using accrual basis reporting

If you are owed a refund or a credit after you have submitted your VAT 100 for the reporting period, QuickBooks will have already created an invoice as part of the File VAT process.

- 1 From the Customers menu, select **Receive Payments**.
- 2 Select **HM Revenue & Customs – Receivable** from the Received From drop-down list.
- 3 Enter the amount of the refund in the **Amount** field.
- 4 Tick the **Applied To.** column in the row of the invoice you are making a payment against.
- 5 Complete the Receive Payments window the same as if you were receiving any invoice payment.
- 6 Click **Save & Close**.



## Recording a VAT refund using cash basis reporting

- 1 From the Suppliers menu, choose **Receive VAT Refund**.
- 2 If the Payments to Deposit window appears, click **Cancel**.
- 3 In the **Deposit To** field select the bank account to deposit the refund to.
- 4 Enter the amount of the refund in the **Amount** column.
- 5 Click **Save & Close**.

When you record the deposit, QuickBooks adjusts your VAT Control liability account to show that you now owe less VAT to HM Revenue & Customs.

## How QuickBooks handles late VAT (accruals basis only)



If you use the cash-basis reporting as your VAT scheme, QuickBooks cannot mark your VAT transactions as filed, nor can it handle late VAT.

## Unfiled transactions

QuickBooks automatically calculates the due or refundable VAT and generates a VAT return based on these amounts. The calculated amount of the VAT return includes transactions that were recorded in a previous VAT period, but have not yet been included in a VAT return. These outstanding (VAT return) transactions are referred to as “unfiled”. Any unfiled transactions are included in the current VAT period’s return.

## Updating from earlier versions (except 2003) to QuickBooks 2006

Since the release of QuickBooks 2003, we have made changes to the tracking of VAT transactions for companies that are on the Standard VAT reporting scheme. All entries that are included in a VAT return are now marked as ‘filed’ in the VAT Control account. You can see this when you look at the VAT Control account. Filed transactions are marked with an **F**.

This means that if you find a bill or invoice in the office after you have submitted your VAT return for the period, you can enter that transaction using the original date on the bill or invoice. QuickBooks automatically includes that transaction in your next VAT return. In other words, QuickBooks includes all transactions that are considered ‘unfiled’ in your next VAT return.

Therefore, when you update your old QuickBooks file (pre-QuickBooks 2003), you must make sure that you enter the correct date of your last submitted return. When you were prompted to enter this date in to QuickBooks, all transactions recorded prior to your last VAT end data were marked as ‘filed’.

We recommend that you reconcile your VAT account after upgrading your file.

## Uncategorised transactions eliminated

Previously, amounts could appear as uncategorised in VAT reports and in the File VAT window. QuickBooks labelled some transactions as uncategorised because some forms were used for purposes other than what they were originally created. For example, the Make Deposits window was used to enter a cash sale instead of using a sales receipt. This type of transaction entry would result in an uncategorised amount.

Now, QuickBooks categorises all transactions affecting your VAT liability account. This means:

- you'll no longer have to manually categorise these types of transactions,
- when you generate VAT reports, your VAT liability amount will now be accurate, and
- uncategorised amounts will no longer appear in the File VAT window or in your VAT reports.

## Updating from QuickBooks 2003

If you previously had uncategorised amounts, these transactions will automatically be updated when you install QuickBooks 2006. Before you install QuickBooks 2006, you'll need to know the ending dates of your VAT return.

**Note:** If you used the filing functionality in QuickBooks 2003, QuickBooks will not ask you for any VAT information. In this case, QuickBooks updates your VAT data automatically.

## What will happen to uncategorised amounts?

QuickBooks will take the ending date you enter and mark all uncategorised amounts on or before that date as filed so they won't affect your VAT liability. Uncategorised amounts after the ending date will be categorised as sales or purchases so that they correctly affect your VAT liability account. The next time you file a VAT return, QuickBooks will include these newly categorised transactions properly with all other unfiled-transactions.

If you had uncategorised amounts in earlier versions of QuickBooks and didn't adjust your VAT returns for them, consult your accountant to see if you should file an adjustment now.

## Keeping VAT records

You are required by law to keep records and accounts of the taxable and exempt goods and services that you supply in the course of your business. You must also keep a record of your VAT Control account, and should track the taxable goods and services you receive, too.

Normally, you should preserve your VAT records for six years. Check with your local VAT office for more information. We recommend that you regularly print out and keep all of your sales invoices that show VAT and VAT reports, both Detail and Summary.

You will want to keep your computer files as well. Be sure to protect your data by making regular backups of your QuickBooks file.

## Locking past VAT quarters

If you report on a cash basis, we recommend that you set passwords and a closing date to prevent unauthorised changes to your VAT account. After you've paid your VAT liabilities for a given period, you likely won't want your employees to change any of the transactions that affected your liability payment. QuickBooks lets you restrict access to these older transactions to be sure they are not changed without your knowledge.



If you use the accrual-basis reporting as you VAT scheme, you cannot modify the amounts of filed transactions. You can however change the account designation by going to the register (VAT Control) and right-clicking on the transaction.

By requiring your permission to delete, add, or edit any transaction before a chosen date, you can discourage accidental or casual changes to “closed” accounting periods, but you can still make corrections when necessary.

To deny users access to “closed” periods, when you set up user names and passwords for your staff, do not grant them permission to **Change or Delete Transactions** recorded before your closing date. Then enter a closing date that is later than the date of your payment.

For more information about setting up user names and passwords, see “Users and passwords” on page 112.

To lock older transactions after remitting VAT:

- 1 From the Company menu, select **Set Up Users**.
- 2 Do one of the following:
  - Select an existing user name from the list, then click **Edit User**,  
or
  - Click **Add User** to create a new user name.
- 3 If you do not want this user to have access to your historical transactions, give him or her access only to “Selected areas of QuickBooks” when the wizard prompts you.
- 4 Work through the wizard until you reach the Changing or Deleting Transactions screen.
- 5 Select **No** to the question, “Should this user also have the ability to change or delete transactions that were recorded before your closing date?”
- 6 Work through the rest of the wizard for this user, then any other users in your user list or that you are adding.
- 7 At the bottom of the user list, click **Closing Date**.
  - If you closed the user list, from the Company menu, select **Set Up Users**.
- 8 Enter the date up to which your books are closed, then click **OK**.
- 9 Click **Close** to close the user list.

---

## Making adjustments to your VAT liability account

From time to time, you may need to adjust your VAT liability, possibly to correct an error in your VAT return or to account for a discrepancy in a VAT payment or prepayment.

You cannot make adjustments to your VAT liability directly in your VAT Control account. Instead, you must make a general journal entry.

To correct an error:

- 1 From the Banking menu, choose **Make Journal Entry**.
- 2 Check that the Date field shows today’s date.
- 3 For your reference, fill in an Entry Number for this adjustment.
- 4 Leave the “Show on VAT reports as” option clear.
- 5 In the Account column, choose the **VAT Control** account.
- 6 In the Debit or Credit column, enter the amount to adjust your VAT Control account by.
  - To decrease your VAT liability (that is, if your VAT control account shows that you owe more to the government than you actually do), enter a positive amount in the Debit column.

- To increase your VAT liability (that is, if your VAT control account shows that you owe less to the government than you actually do), enter a positive amount in the Credit column.
- 7 Leave the VAT (code) and VAT Amount columns clear.  
These columns are only used to account for VAT when making adjustments to other accounts. Because you are adjusting your VAT Control account directly, you don't need to select a VAT code or enter a VAT amount.
  - 8 Enter a note in the Memo column as to why this adjustment was needed.
  - 9 On a new line in the Account column, select another account to increase or decrease:
    - If you are decreasing your VAT liability, select the account that will receive money from the VAT Control account.
    - If you are increasing your VAT liability, select the account that will provide money to the VAT Control account.
    - If you are not sure what type of account to use, check with your accountant.
  - 10 In the Debit or Credit column, enter the amount to adjust your other account by.
    - If you decreased your VAT liability, enter a positive amount in the Credit column.
    - If you increased your VAT liability, enter a positive amount in the Debit column.

**Tip:** The transaction must have a zero balance. That is, the total in the Debit column must equal the total in the Credit column.

- 11 Leave the VAT (code) and VAT Amount columns clear.
- 12 Enter a note in the Memo column about why this adjustment was needed.
- 13 Click **Save & Close** to record the adjustment.

## Making a VAT partial exemption adjustment

**Note:** We recommend that you make the necessary calculations in a spreadsheet before making the adjustment in QuickBooks. You should check with your accountant or the local VAT office on the best method of calculation for your business.

If you make exempt supplies and are registered for VAT, you may be required to make both periodic and annual adjustments to the amount of input tax you are entitled to recover in your VAT returns. To prepare for making partial exemption adjustments, complete the following:

- From the Lists menu, select **VAT Codes** and create a new code called **EX** at 0%, with the **EC Code** clear (see “Setting up and using VAT codes” on page 126).
- From the Lists menu, select **Chart of Accounts** and create a new expense account called **Exempt Input Tax** to account for disallowed input tax.

To record exempt input tax:

- 1 From the Banking menu, choose **Make Journal Entry**.
- 2 Fill out the end date of your VAT period and an entry number.
- 3 On the first line, enter a debit to the Exempt Input Tax account.
- 4 On the second line, enter a credit to the VAT Control account, select the **EX** VAT code. Also, click the **Input** option under “Show on VAT Reports as”.

General Journal Entry

← Previous → Next Print... History Journal

Date: 20/03/2000 Entry No.: 26 Show on VAT reports as: ☒ Input (Purchase) ☐ Output (Sale)

Account	Debit	Credit	VAT	VAT Amount	Memo	Name
Exempt Input...	86.47					
		86.47	EX	0.00		

Save & Close Save & New Clear

- 5 Click **Save & Close**.

## Eliminating VAT rounding (for accrual accounting)

QuickBooks rounds each line to the nearest penny. If you enter historical transactions, this rounding may accumulate over many invoice line items and affect the total by a few pence. To prepare for removing the rounding, complete the following:

- From the Lists menu, select **VAT Codes** and create two new codes: “A” (100%) and “B” (0%). Don’t tick the “EC Code” box for either.
- From the Lists menu, select **Item List**.
- Click **Item** (at the bottom of the Item List window), and choose **New**. Create a new item called **VAT ADJ**. Assign an expense account to this item.

To adjust the VAT total to remove rounding:

- 1 From the Customers menu, select **Create Invoices** and click **Previous** until the invoice you want to edit appears.
- 2 On one line, add the VAT ADJ item with a VAT code of A (100%) and enter the amount. If the VAT amount is to be decreased to correct the rounding, enter **-1** in the QTY column.
- 3 On the next line, add the VAT ADJ item with a VAT code of B (0%) and enter the amount. If increased, enter **-1** in the QTY column.

Invoice To:  
Carlton Leslie  
14 Lower Grove  
Stanford  
Ulms

Invoice # 45  
Tax Date 31/03/2003

Desc	Qty	Unit	Rate	Tax	VAT	VAT ADJ	Amount
VAT Adj	1		0.00	100%		0.00	0.00
VAT Adj	-1		0.00	0		0.00	-0.00

Customer Message: [ ]  
Exchange Rate: [ ]

VAT TOTAL: 0.00  
Total: 0.00

To be printed: [ ]  
Notes: [ ]

Print & Close Save & New Reprint





## Doing business internationally

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### How can I manage my foreign customers and suppliers?

QuickBooks easily handles multiple currencies.

At the conclusion of this chapter, you'll know how to set up prices in foreign currencies for items you sell internationally, enter information for foreign customers and suppliers, and deal with the exchange rates of the foreign currencies you use. Multicurrency is a Pro and higher only feature.

---

# Multicurrency: an overview

In QuickBooks Pro and higher, you can record transactions in many currencies. With the multicurrency feature turned on, QuickBooks tracks foreign transactions and accounts for them properly, regardless of the currency that is used. For example, if you sell goods to Germany as well as within the UK, you can enter some transactions in euro and others in Pounds Sterling. Tracking these foreign-currency transactions is as easy as selecting the foreign customer or supplier from your list; QuickBooks takes care of everything else.

With multicurrency, you can also set up a fixed foreign price for items, or enter prices in your home currency and then have QuickBooks calculate the foreign price based on the current exchange rate. See “Set up foreign prices for items (sales items only)” on page 150 for more information on setting up foreign prices.

The home currency refers to the currency that is used in the country in which your business is located. In registers and forms, home-currency transactions are displayed in the home currency, whereas foreign transactions are displayed in their foreign currency. On most reports, however, foreign balances are converted into the home currency.

**Note:** Once multicurrency is turned on, you cannot turn it off. We recommend that you make a backup of your company file before turning multicurrency on.

## A note about exchange rates

Exchange rates change daily, and these fluctuations can generate a gain or loss in your books. QuickBooks accounts for these gains and losses by tracking them in the Exchange Gain/Loss account (see “Exchange rates and how they affect your transactions” on page 154 for more information).

The home currency is used to determine the value of all other currencies in relation to it. For this reason, the home currency’s exchange rate value is fixed at one. Once the home currency is chosen, it cannot be edited or deleted.

---

# Setting up multicurrency

If you deal in more than one currency, you need to turn on the multicurrency preference. This preference is turned off by default, unless you specified otherwise in the EasyStep Interview.

After this preference is turned on, you need to assign a currency to customers and suppliers with whom you deal on an international basis. Customers and suppliers that were created before you turned on the multicurrency preference are automatically assigned your home currency.

**Note:** Foreign accounts cannot be edited in an Accountant’s Review file. For more information, see “Exporting data for your accountant (Accountant’s Review)” on page 80.

Each foreign currency you deal in must have a matching Accounts Receivable or Accounts Payable account in the same currency. This allows you to track transactions specific to each currency you set up in QuickBooks. You can also set up foreign-currency Bank and Credit Card accounts.

To set up multicurrency, you need to complete these tasks:

- 1 “Turn on the multicurrency preference” on page 147.
- 2 “Set up foreign accounts” on page 148.
- 3 “Create foreign customers and suppliers” on page 149.
- 4 (Optional) “Set up foreign prices for items (sales items only)” on page 150.

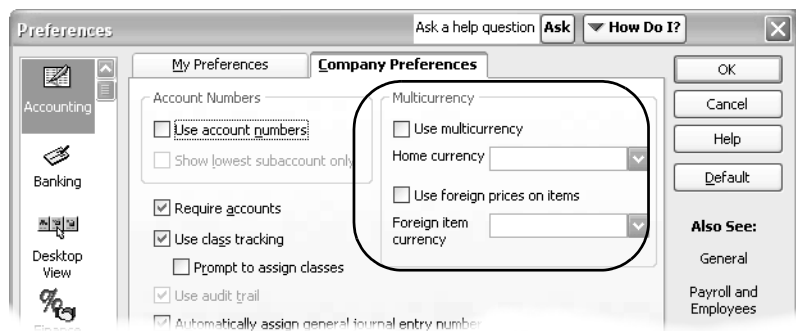
## 1 Turn on the multicurrency preference

If you invoice, receive payments, or pay bills in a currency other than the currency denomination of the country you live in, you should turn on the multicurrency preference. You can do so in one of two ways: in the EasyStep Interview as you create a new company or if your company is already set up, in the Preferences window.

Once multicurrency is turned on, you cannot turn it off. We recommend that you back up your company file before turning this feature on. That way, you can go back to the way your company was, if for some reason you don't want to use the multicurrency feature anymore.

To turn on multicurrency from the Preferences window:

- 1 From the Edit menu, choose **Preferences**.
- 2 From the scroll box on the left, select **Accounting**.
- 3 In the Company Preferences tab, select **Use multicurrency** and choose your home currency. The home currency is the currency denomination of the country in which you live. If you live in the Republic of Ireland, select euro as your home currency.



- 4 Click **OK**. Multicurrency is now turned on, and the home currency is set. You can now:
  - Assign a foreign currency to a customer or supplier.
  - Use the currency list, which includes many common currencies and the latest exchange rates as of QuickBooks' release.
  - Generate a report to calculate unrealised and realised gains and losses.
  - Quickly convert foreign currency to Pounds Sterling or vice versa with the Currency Calculator.
  - Use the "Exchange Gain & Loss" expense account to track gains and losses due to fluctuations in exchange rates.
  - Set a fixed foreign price for items that you sell frequently to one particular country.
  - Locate multicurrency transactions with two new filters in the "find" function.

## 2 Set up foreign accounts

You can choose a foreign currency for Bank, Credit Card, Accounts Receivable (A/R) and Accounts Payable (A/P) accounts.

You do not need to set up foreign Bank and Credit Card accounts in order to track foreign transactions. However, for each foreign currency you deal in, you must create an A/R account (if you have customers), an A/P account (if you have suppliers), or both in that currency.

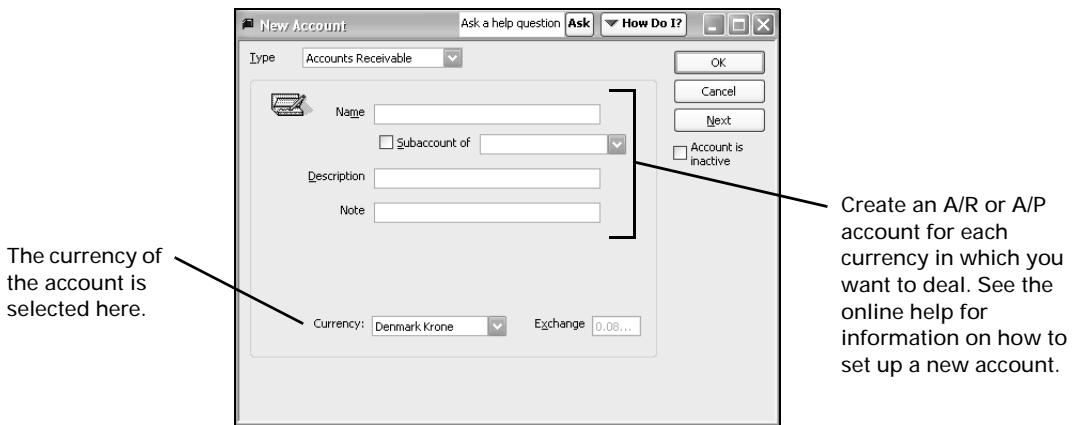
For example, if you have customers in the US and South Africa, you'll need two additional A/R accounts: one with its currency set to the US Dollar, and another set to Rand. You cannot use the same A/R and A/P accounts that you use for your home-currency transactions because the currencies rarely trade as equals.

**Note:** Once a transaction is recorded in an account, the currency of the account cannot be changed.

To set up a foreign account:

- 1 From the Company menu, select **Chart of Accounts**. The Chart of Accounts appears.
- 2 On the Chart of Accounts window, click the **Account** menu button, and choose **New**.

### 3 With the New Account window open.



When you select a currency, the Exchange field shows its exchange rate. If you want to update the exchange rate, do it from the Currency List. See “Using the Currency List” on page 152 for more information.



#### To learn about...

Setting up accounts

#### Search the Help index for...

accounts

## 3 Create foreign customers and suppliers

After you’ve set up foreign A/R or A/P accounts, you can set up the foreign customers or suppliers who will be using these accounts. To do so, create the customer or supplier as you normally would and select their currency in his or her profile. Once a currency is assigned to a customer or supplier, all future transactions involving him or her are recorded in currency you assigned, with the exception of bill and credit card payments (in this situation, the account you use to pay determines the currency of the transaction).

Existing customers or suppliers (that is, ones you set up before turning on the multicurrency feature) are automatically assigned the home currency. The currency of these customers or suppliers cannot be changed if you have already recorded a transaction for them. If you want to use a different currency for these individuals, you’ll need to create second profiles for them in the correct currency.

**Note:** Once you record a transaction for a foreign customer or supplier, you cannot change the currency that is assigned to him or her. You cannot assign a foreign currency to the HM Revenue & Customs and the HM Revenue & Customs suppliers.

To create a new foreign Customer, Supplier, or Other Name:

Open a new profile and fill it in as you normally would with the following exceptions noted on the graphic below.

1 (Optional) Enter an opening balance if applicable.

Once a transaction is recorded for a customer, you cannot enter an opening balance in this window.

The screenshot shows the 'New Customer' dialog box. The 'Opening Balance' field is highlighted with a callout from text 1. The 'Currency' dropdown is highlighted with a callout from text 2. The 'Job Info' tab is selected, showing fields for Job Status, Start Date, Projected End, End Date, Job Description, and Job Type.

2 Select the currency you want to associate with this profile. If the currency you want is not in the drop-down list, select <Add New> to create a new currency.

Also, if the exchange rate is out-of-date, update it.

Only one currency can be associated with a customer, supplier or “other name.” If you deal with a customer or supplier in more than one currency, you’ll need to create an additional profile for him or her for each currency in which you do business.



To learn about...

Creating new customers

Search the Help index for...

customers

## 4 Set up foreign prices for items (sales items only)

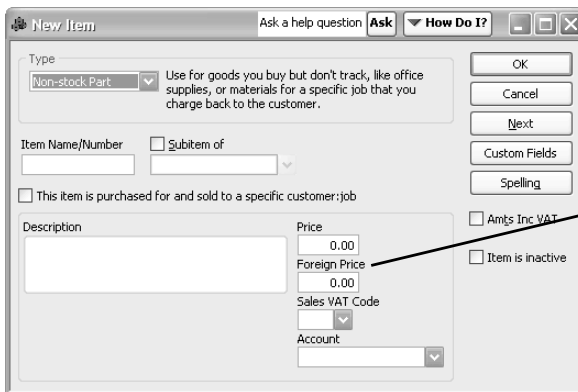
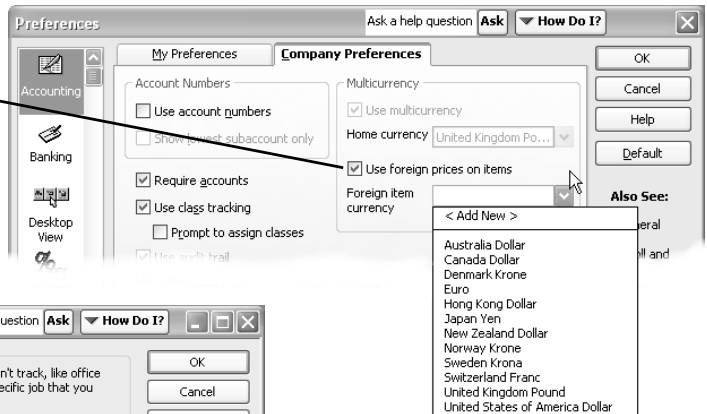
By default, items in the Item List use the currency designated as your home-currency. What that means is when an item is used in a foreign transaction, the price of the item is calculated by multiplying the home-currency amount with the foreign currency’s exchange rate. Because the price is converted based on an exchange rate, there is a possibility that the price of an item may go up or down if the exchange rate changes.

QuickBooks allows you to set up a fixed foreign price on items you sell frequently to one particular country. By doing this, the foreign price of the item will not change due to fluctuations in exchange rates. You can only select one other currency besides your home currency to assign to item prices.

To turn on foreign pricing:

- 1 From the Edit menu, choose **Preferences**.
- 2 From the scroll box on the left, select **Accounting**.
- 3 On the Company Preferences tab, select **Use foreign prices on items**.
- 4 From the "Foreign item currency" drop-down list, select the currency you want to use as a fixed foreign price on items. If you deal with more than one foreign currency, choose the currency you deal in the most.
- 5 Click **OK**.

Once the foreign pricing preference is turned on...



...you'll see an extra field on the New Item window where you can enter a fixed foreign price for an item.

QuickBooks uses an item's Foreign Price in transactions where the currency matches the currency that you chose in the foreign pricing preference.

# Using the Currency List

The Currency List is a list of all the currencies that are set up in QuickBooks. We've included several currencies in the Currency List. It contains information about each currency such as its exchange rate, currency symbol, and whether they are from countries belonging to the EMU.

When a foreign transaction is recorded, QuickBooks uses the exchange rate from the Currency List to convert the foreign amount into the home-currency amount. You should rarely need to make changes to the Currency List, except to add and delete currencies, and update exchange rates. You cannot delete your home currency or a currency that has been used in a transaction.

**Tip:** If you want to use a fixed foreign price for an item, (in other words, the price is not multiplied by an exchange rate), use the foreign pricing feature. See "Set up foreign prices for items (sales items only)" on page 150 for more information.

To create a currency:

- 1 From the Lists menu, choose **Currency List**.

Inactive currencies are not shown in this list. There are more than 40 currencies created in QuickBooks. To display all currencies, tick this check box.

Currency	Exchange Rate	Hotkey	EMU
Australia Dollar	0.358600	A	
Canada Dollar	0.429200	C	
Denmark Krone	0.082560	K	
Euro	0.615100	E	✓
Hong Kong Dollar	0.088180	H	
Japan Yen	0.005720	Y	
New Zealand Dollar	0.290600	N	
Norway Krone	0.077710		
Sweden Krona	0.065280		
Switzerland Franc	0.420200		
United Kingdom Pound	1.000000	P	
United States of America Dollar	0.687800	D	

Currency Shw All

Hotkeys help you convert foreign amounts to your home currency quickly.

To use hotkeys, on any form, select the foreign amount you want to convert, then hold SHIFT and type that currency's hotkey. QuickBooks multiplies the foreign amount by its exchange rate, which gives you the amount in your home currency.



We recommend that if you decide to assign hotkeys for foreign amounts, only use alphanumeric values.

Using numerical values for hotkeys may cause problems when enter currency values into invoices.

- 2 At the bottom of the Currency List, click the **Currency** menu button and select **New**. The New Currency window appears.

Update the exchange rate often to keep your records up-to-date.

Currency Name: Country: Currency Code: Currency Symbol: Hotkey: Exchange Rate: 1

☒ EMU Member  
EMU Rate: 1

Format: Sample: 123,456.00  
Symbol Position: Leading  
Decimal Separator: .  
Decimal Places: 2  
Thousand: ,

OK  
Cancel  
Next  
☐ Currency is inactive

Tick this check box to make a currency inactive. This hides the currency from the list as opposed to deleting it.

Minimising the Currency List makes it easier to read from drop-down lists on forms.



- 3 On the New Currency window, fill in the options (at the very least, the Currency Name, Country, and Country Code fields must be filled in):
- **Currency Name:** The name of the currency.
  - **Country:** The country in which the currency is used.
  - **Currency Code:** The internationally-recognised code for the currency.
  - **Currency Symbol:** The letter and/or symbol (such as £) to represent this currency on forms.
  - **Hotkey:** A unique letter or symbol to use with the SHIFT key to multiply an amount by the currency's exchange rate.
  - **Exchange Rate:** The value of one unit of the foreign currency in your home currency. In order to keep your foreign records accurate, you should update the exchange rate on a regular basis.
  - **EMU Member:** If the country of this currency is an EMU member, tick this check box and, if necessary, enter the EMU rate. See "Exchange rates and how they affect your transactions" on page 154 for information on triangulation.
  - **EMU Rate:** The EMU rate for this currency as adopted by the EU Council. Unless you are adding a currency for a country that has recently joined the EMU, this rate should never be changed.

#### Format options

- **Symbol Position:** Select where you want the currency symbol placed. Your options include Leading (in front of the money value) or Trailing (behind the money value).
  - **Decimal Separator:** Enter the symbol you want to use on forms to represent the decimal placeholder. The default is a period or full stop (.).
  - **Decimal Places:** Select the number of decimal places you want to use on forms. You can select zero through 2.
  - **Thousand Separator:** Enter the symbol you want to use on forms to represent the thousand placeholder. The default is a comma (,).
- 4 Click **OK**. The new currency is added to the Currency List and is available on forms that use it.



#### To learn about...

Creating, editing, or deleting a currency

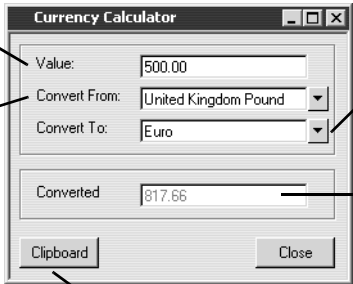
#### Search the Help index for...

- currencies, creating
- currencies, editing
- currencies, deleting

## Using the currency calculator

The currency calculator is a handy way to convert a home-currency amount into a foreign amount or vice versa.

- From the Company menu, choose **Currency Calculator**. You can also get to the calculator by pressing F4 while a money value is selected.



The screenshot shows the 'Currency Calculator' dialog box. It has a title bar with standard window controls. Inside, there are four main sections: 1. 'Value:' with a text input field containing '500.00'. 2. 'Convert From:' with a dropdown menu showing 'United Kingdom Pound'. 3. 'Convert To:' with a dropdown menu showing 'Euro'. 4. 'Converted' with a read-only text field showing '317.66'. At the bottom, there are two buttons: 'Clipboard' and 'Close'. Numbered annotations point to these elements: 1 points to the 'Value' field, 2 points to the 'Convert From' dropdown, 3 points to the 'Convert To' dropdown, and 4 points to the 'Clipboard' button. A separate annotation points to the 'Converted' field, stating it is a read-only field that displays the result of the conversion.

- 1 Type the money value you want converted.
- 2 Select the currency of the money amount to convert.
- 3 Select the currency you want the pound amount converted to.
- 4 Click here to copy the converted amount to the clipboard. Then, use the paste command (CTRL+V) to paste the amount onto a field within a form.

A read-only field that displays the result of the conversion.

---

## Exchange rates and how they affect your transactions

QuickBooks 2006 Pro and higher must be updated when you first start using multicurrency, because while the exchange rates provided were accurate at the time your software was released, currencies fluctuate in value. You should update the exchange rates of your currencies often—every week or possibly more frequently, depending on the volatility of the currency. (The easiest way to update exchange rates is by using the Currency List. See “Using the Currency List” on page 152 for more information.)

**Tip:** An exchange rate field also appears on some forms so that you can enter the latest exchange rate “on the fly”, without having to go to the Currency List. You should (when reconciling your current accounts, for example) update the exchange rate used for cheques and deposits to reflect the actual rate that was used by your bank at the time the cheques were processed or your deposits accepted.

It is these changes in exchange rates that can affect the profits you make from foreign sales and your costs on foreign purchases. Generally, as a business owner, you want to track the potential effect of exchange rate changes on foreign transactions that haven’t been completed (referred to as unrealised gains and losses) as well as the actual effect of the changes on transactions that *have* been completed (referred to as realised gains and losses). QuickBooks provides a report to help you track both types of gains and losses.

## Unrealised Gains and Losses

When you create a foreign transaction, the foreign currency is worth a certain amount in your home currency as determined by its exchange rate on the day of the transaction. However, the exchange rate is likely to change before the transaction is closed. Until the transaction closes, the difference between the value of the foreign currency when you created the transaction and its current value is your unrealised gain or loss.

For example, say a US customer purchases an item from you for \$50 US Dollars, which is £65 at the time you issue the invoice. Before the customer pays you, the Pound Sterling falls, and the US Dollar exchange rate climbs to 1.5 from 1.3. The \$50 US that the customer owes you is now worth £75, so your unrealised gain is £10. (You won't know how much money in Pounds Sterling the customer actually pays you until you receive his or her payment and deposit it in a bank. At that point, the bank converts it to Pounds Sterling, and your gain or loss is then "realised".)

Many accountants prefer you take your unrealised gains and losses on open foreign transactions (invoices and bills) into account when you create reports about your company's net worth, as doing so gives a more accurate picture of the value of your company on that date. Check with your accountant to see what he or she recommends.

To determine your unrealised gains and losses and make a home-currency adjustment:

To ensure your net worth reports show the true value of your foreign currency accounts (and therefore your company) at the end of a reporting period, your accountant should make a home-currency adjustment in the general journal if your records show an unrealised gain or loss.

- 1 Create an "Unrealised Gains and Losses" report:
  - a) From the Reports menu, select **Multicurrency**, then **Unrealised Gain and Loss**.
  - b) In the Exchange Gain/Loss window, update the exchange rates for the purpose of this report. (Note that doing so does not update the Currency List.)
  - c) Click **OK**. QuickBooks summarises your open foreign transactions and your potential gain or loss on them.

On reports, foreign amounts are displayed in the home currency.

In this example, the home currency is Pounds Sterling, therefore these amounts are in Pounds.

Unrealised Gains & Losses				
Modify Report...    Memorise...    Print...    Excel...    Hide Header    Refresh				
Dates: All    From:    To:    Total By: Unrealised Gain/Lc				
12:16 PM <b>BRATS Landscaping Design</b> <b>Unrealised Gains &amp; Losses</b>				
Accrual Basis    All Transactions				
	Current balance	Adjusted balance	Gain/Loss	
Account				
US A/R	349.99	449.99	100.00	
US Accounts Payable	-360.35	-400.35	-40.00	
<b>TOTAL UNREALISED GAIN &amp; LOSSES</b>			<b>60.00</b>	

- Use the information in the report to create a home-currency adjustment in the General Journal to account for your gain or loss. Select the Exchange Gain/Loss expense account as the other account that will be affected by this entry.
- In the report above, the Unrealised Gains and Losses report shows a currency gain for the US A/R account, and a currency loss for the UK A/P account. Therefore, the entries in the general journal should be recorded as follows.

Tick this check box to ensure these amounts are recorded as an adjustment to the home currency without affecting the foreign balance of that account.

General Journal Entry		Ask a help question    Ask    How Do I?	
Previous    Next    Print...    History    Journal    Reverse		Date: 03/31/2003    Entry No.: 9    Autofill Memo    Show on VAT reports    Input (Purchase)    Output (Sales)	
Account	Debit	Credit	VAT    VAT Amount    Memo    Name    Class
Exchange Gai...		100.00	
Denmark A/R	100.00		
Totals		100.00	100.00
Amounts In: GBP    Exchange Rate: 1    United Kingdom ... <input checked="" type="checkbox"/> Home Currency Adjustment			
Save & Close    Save & New    Clear			

You need to specify a customer name when a journal transaction is entered for an A/R account (or supplier name for an A/P account).

Account	Debit	Credit	VAT	VAT Amount	Memo	Name
Exchange G...	40.00			0.00		
US A/P		40.00		0.00		Exch Vendor

When making a home-currency adjustment, create a fake customer or supplier to which you can assign unrealised gains & losses.

- Create your net worth reports.
- Reverse the General Journal entry to remove the unrealised gain or loss from your books.

## Realised Gains and Losses

A gain or loss on a foreign transaction because of changes in the exchange rate becomes realised once the transaction is paid (either partially or in full). When you close the transaction, QuickBooks compares the value of the foreign amount when the transaction began to its value when the transaction closed. QuickBooks enters the difference (gain or loss) in the Exchange Gain/Loss account (this account is created automatically when multicurrency is turned on).

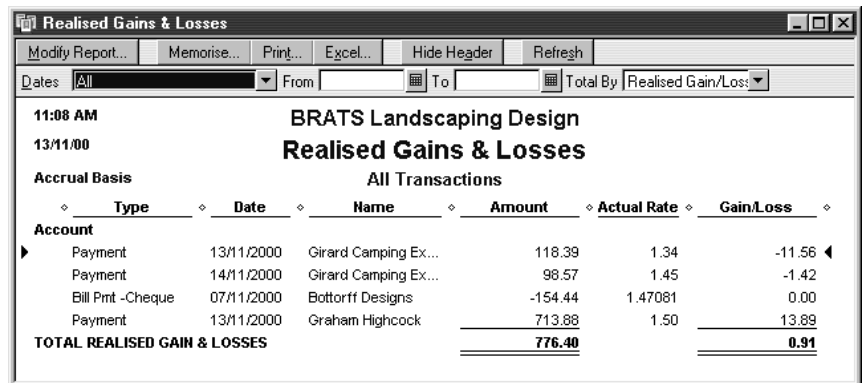
For example, if you owe a supplier 500 Shillings, and the Pounds Sterling/ Shilling exchange rate changes from 0.09 when you ordered the products to 0.08 when you pay the bill, your realised gain would be £5. That is, when you ordered the products, you owed £45, but you actually paid only £40 because the Shilling fell relative to the Pound Sterling. QuickBooks balances the transaction by assigning the £5 gain to the Exchange Gain/Loss expense account.

To determine your realised gains and losses over time, use the "Realised Gains and Losses" report. This detailed report shows the original amount of each foreign transaction in your home currency, the actual exchange rate when the transaction was closed, and the resulting gain or loss to you.

To print a realised gains and losses report:

- From the **Reports** menu, select **Multicurrency**, then **Realised Gain and Loss**.

The amounts on reports are shown in the home currency denomination of the company file.



Type	Date	Name	Amount	Actual Rate	Gain/Loss
Payment	13/11/2000	Girard Camping Ex...	118.39	1.34	-11.56
Payment	14/11/2000	Girard Camping Ex...	98.57	1.45	-1.42
Bill Pmt -Cheque	07/11/2000	Bottorff Designs	-154.44	1.47081	0.00
Payment	13/11/2000	Graham Highcock	713.88	1.50	13.89
<b>TOTAL REALISED GAIN &amp; LOSSES</b>			<b>776.40</b>		<b>0.91</b>

# Dealing with foreign customers

QuickBooks handles customers who pay in foreign currencies in much the same way as customers who pay in your home currency. You create an invoice and receive payments in exactly the same way. The only difference is that the currency you assign to the customer in his or her profile becomes the currency of the transaction (see “Create foreign customers and suppliers” on page 149).

## Creating invoices for foreign customers

Before you can create an invoice for a foreign customer, you must set him or her up in the Customer:Job list and create a foreign A/R account. Once these are done, you can create an invoice as you normally would. As you do, you also need to:

1 Select a foreign customer. QuickBooks selects an A/R account that matches the currency of the selected customer. If one doesn't exist, QuickBooks prompts you to create one. In this case, the customer is Canadian, so a Canadian A/R account is selected.

2 Update the exchange rate if necessary.

Item	Qty	Description	Price	VAT	VAT AMT	Amount
Metal Push Cars	1	Hot Wheels	10.00		0.00	10.00

Customer		VAT TOTAL	
Message		0.00	
Exchange Rate		Total	
0.428199		Can\$10.00	

Balance Can\$10.00

Save & Close Save & New Clear

The price of the item is converted into the customer's currency using an exchange rate. In this example, the price of the item (car) is £4.28, but when the item is added to the invoice, the price is converted to \$10 Canadian.

You can also set up a fixed foreign price for items. See “Set up foreign prices for items (sales items only)” on page 150.

**Note:** VAT codes are not transferred to sales forms when the invoice is created for a foreign customer, including those customers that belong to the EMU.

## Receiving payments from foreign customers

You receive payments from foreign customers as you normally would. As you do, follow these steps:

- 1 Select the foreign customer from whom you are receiving the payment. In this case, it is a US customer. QuickBooks selects an A/R account that matches the currency of the selected customer. If one doesn't exist, QuickBooks prompts you to create one.

The screenshot shows the 'Receive Payments' window in QuickBooks. The 'Customer Payment' section is active, showing 'Received From' as 'US customer' and 'Customer Balance' as 'US\$79.39'. The 'Applied To' table has one entry for '10/08/2001' with an amount of '79.39'. The 'Exchange Rate' is set to '0.6298'. The 'Save & New' button is highlighted.

The amounts on this form are in US Dollars because the customer is from the United States.

- 2 Update the exchange rate if necessary.

## Depositing foreign money

- 1 From the Banking menu, choose **Make Deposits**.  
If you have payments in more than one currency to deposit, the "Payments to Deposit" window appears.
- 2 (If necessary) In the "Payments to Deposit" window, from the drop-down list, select the currency for which you have payments to deposit. You can only deposit payments from one currency at a time.  
When you have made your selection, click **OK**. The "Make Deposits" window appears.
- 3 In the Deposit To field, select the account to which you want to deposit the payment. You can deposit foreign money into a home-currency account (the amount is converted using the currency's exchange rate or a foreign bank account as long as the currency of the bank account matches the deposit's currency).
- 4 In the Exchange Rate field, update the exchange rate to match the rate of exchange on the same day the deposit was made.
- 5 Fill in the remaining fields as you normally would.  
If you are getting cash back from a foreign deposit, you need to set up a Petty Cash account that matches the currency of the money you are depositing and account for the holdback in it.

# Dealing with foreign suppliers

Working with foreign suppliers is much the same as working with suppliers in your home currency. You still make purchases and pay bills in the same way, but the currency of the transaction is the currency that you assigned to the supplier in his or her profile (see “Create foreign customers and suppliers” on page 149).

## Creating purchase orders for a foreign supplier

Before you can create a purchase order for a foreign supplier, you must set him or her up in the supplier list, create a foreign A/P account, and have the purchase order preference turned on.

Create a purchase order for a foreign supplier as you normally would. As you do, you'll also need to:

- 1 Select a foreign supplier.  
Because the currency of this supplier is Euro (for example), the currency of this transaction is in Euro. QuickBooks selects an A/P account that matches the currency of the selected supplier. If one doesn't exist, you are prompted to create one.

- 2 Update the exchange rate, if necessary.

**Create Purchase Orders**

Supplier: Euro Vendor Ship To: Tracey Stewart Designs Form Template: Intuit Standard PO

**Purchase Order**

Supplier: [Empty]

Tax Date: 03/01/2001 P.O. No.: 1

Terms: Net 30 Expected: 03/01/2001 Ship Via: Standard

Item	Description	Qty	Rate	VAT AMT	VAT	Amount	Customer
Artwork			159.95	27.99	S	159.95	

Vendor Message: [Empty]

Exchange Rate: 0.312598

VAT TOTAL: 27.99 Total: EUR 187.94

☒ To be printed ☐ Amts inc VAT

Memo: [Empty]

Save & Close Save & New Clear

As you enter items on foreign purchase orders, their prices are converted to the supplier's currency. If you have set up a foreign price for an item and the currency of the price matches the currency of the supplier, QuickBooks uses the foreign price instead (see “Set up foreign prices for items (sales items only)” on page 150 for more information).



# Paying bills from foreign suppliers

Often, you will receive bills in a foreign supplier's currency and be expected to pay in the same. If you make purchases from a foreign supplier, you should consider opening a bank account in the supplier's currency.

You can only pay bills from one currency at a time.

- 1 From the Suppliers menu, choose **Pay Bills**.
- 2 In the A/P Account drop-down list, select the A/P account that matches the currency of the bill you want to pay. For example, if you are paying a bill from a Canadian supplier, select your Canadian A/P account.

You can only display bills in one currency at a time. The currency is determined by the A/P that is selected. In this case, we've selected a Canada A/P account, thus the bills listed here are from Canadian suppliers.

Select the account from which the payment will be taken. If the bank account is not foreign, QuickBooks calculates the amount in the home currency that is to be withdrawn using the exchange rate.

Date Due	Vendor	Ref. No.	Amt. Due	Credits Used	Amt. To Pay
14/01/2001	Canadian Toys Co.		759.00	0.00	759.00
14/01/2001	Canadian Tire		1,852.80	0.00	0.00
			2,611.80		759.00

Credit Information for Highlighted Bill  
Vendor: Canadian Toys Co.  
Bill Ref. No.:  
Number of Credits: 0  
Total Credits Available: Can\$0.00

Payment Account: Current Account  
Ending Balance: 25,004.75

Payment Method: Cheque  
To be printed: ☒ To be printed  
Assign cheque no.: ☐

Payment Date: 04/01/2001

Update the exchange rate. If the exchange rate changes between the time you entered the bill from the time you paid the bill, a gain or loss is generated. QuickBooks accounts for it by making an entry in the Exchange Gain/Loss expense account.



## To learn about...

Payments using your credit card

## Search the Help index for...

credit cards

# Transferring foreign funds

You can transfer money from a home currency bank account to a foreign bank account, or from a foreign account to a home currency account. Money can also be transferred between foreign accounts of the same currency.

- 1 From the Banking menu, choose **Transfer Funds**.
- 2 With the Transfer Funds Between Accounts window open:

Fill in this window as you normally would.

Update the exchange rate to match the rate of exchange on the day of the transfer.

The screenshot shows a software window titled "Transfer Money Between Accounts". Inside, there's a sub-window titled "Transfer Money". The "Transfer Money From" dropdown is set to "UK Savings Account" and "Transfer Money To" is set to "Euro Chequing Account". The "Exchange Rate" is entered as 0.611499. The "Transfer Amt" is £ 4,000.00 and the "Transfer Currency" is GBP. The "Ending Balance GBP" is 25,329.75 and "Ending Balance EUR" is 0.00. The "Date" is 04/01/2001. At the bottom, there's a "Memo" field with "Money Transfer" and buttons for "Save & Close", "Save & New", and "Clear".

Select the currency denomination of the amount you want to transfer.

For example, if you know the transfer amount in euro, select Eur from the drop-down list and then enter the amount you want to transfer in euro.

If you know the transfer amount in Pounds Sterling, then select GBP from the drop-down list to specify the transfer amount in UK pounds.

## Payroll and employees

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### How do I pay employees and create payroll forms?

QuickBooks helps you track employee information and compensation. With the payroll features, you can create payroll payments; administer holidays, bonus payments, and benefits; and track data for end-of-year payroll forms. With QuickBooks, you can also file your payroll end-of-year forms online to HM Revenue and Customs.

To pay your employees with QuickBooks, you must be a member of the QuickBooks Payroll Service.

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# Payroll: before you begin...

## Subscribing to the QuickBooks Payroll Service

Before you can use QuickBooks to pay your employees, you must have a subscription to the QuickBooks Payroll Service. Note that although some QuickBooks products allow you to use the payroll features for a limited time without subscribing, you must subscribe to pay your employees with QuickBooks when this trial period expires.

Your subscription to the Payroll Service ensures that you receive updated tax tables whenever the payroll rates, thresholds or forms change. The Payroll Service also helps you make the most of your software investment by keeping it current. After you subscribe, you will receive all updates and upgrades that we release for your software at no additional charge.

To subscribe to the Payroll Service, select **Payroll Service** from the **Employees** menu, then click the **Subscribe** button and follow the instructions. We will assist you in updating your QuickBooks user licence to show your subscription number

Once you have subscribed, you can get information about your subscription or your current tax table by selecting **Payroll Service** from the **Employees** menu.

You must subscribe to the QuickBooks Payroll Service once for each copy of QuickBooks whose payroll features you want to use.



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### To learn about...

Subscribing to the QuickBooks Payroll Service

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### Search the Help index for...

QuickBooks Payroll Service

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## If you don't use the payroll feature in QuickBooks

If you are not subscribed to the QuickBooks Payroll Service, paying employees is unavailable; however, you can still see and use the Employee list. That's because you must still track your payroll expenses and liabilities in QuickBooks, even if you use an accountant or payroll company to pay your employees rather than the QuickBooks Payroll Service. Otherwise, your accounts will not be correct.

With the payroll features turned off, the Employee list allows only very basic information about each employee: his or her name, contact information, National Insurance Number, hire and release dates, and custom information you define. Once you turn payroll on more items will appear in your Employee list.



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### To learn about...

Using an external payroll service

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### Search the Help index for...

payroll services, other than Intuit

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## To learn about...

If you have employees, but aren't using QuickBooks payroll

## Search the Help index for...

payroll, not using

# Setting up payroll: an overview

The amount of time it takes to enter your payroll information into QuickBooks varies depending on the size of your company. Often, it can take one to two hours.

You can use the EasyStep Interview to help you set up payroll for your company.

To set up your payroll system:

- 1 Subscribe to the QuickBooks Payroll Service. You cannot create payments or calculate payroll amounts unless you subscribe (see page 164).
- 2 In the **Payroll & Employees** preferences, check that the payroll features are turned on and are configured properly for your needs.

For example, you can choose how you want your Employee list sorted and what prints on an employee pay slip or payroll payment and voucher.

- 3 Gather the information you need to set up payroll (see page 166).
- 4 Confirm that the payroll liability and expense accounts that QuickBooks creates for you meet your needs (see page 169).
- 5 Set up (in this order):
  - Payroll items (see “Setting up your payroll items” on page 169)
  - Employee default setting (see “Employee defaults: entering common employee information” on page 178)
  - Your employees (see “Setting up employees” on page 178)
  - The employees’ year-to-date amounts (see “Summarising amounts for the year-to-date” on page 188)
- 6 If you have not done so, protect your company’s payroll data from unauthorised access by setting up users and permissions. For information about restricting access to your company file, see “Users and passwords” on page 112).



## To learn about...

Setting up payroll

Subscribing to the QuickBooks Payroll Service

Getting the latest tax tables

Setting payroll preferences

Set user permissions for payroll

## Search the Help index for...

payroll setup, required information

QuickBooks Payroll Service

tax tables, updating

preferences, payroll

permissions

## Collecting the information you'll need

If you paid employees before you set up your company in QuickBooks, you'll need to get information from your previous accounting package or your accountant.

Information you need to start	Where to find it
<b>Company</b>	
How often you pay your employees.	Your accountant or company records.
Your tax district reference number.	Your accountant or company records.
Start date for payroll.	Your company records.
<b>Tax information</b>	
The current payroll laws and taxes that apply to your company (i.e. Employee NI and Tax Codes).	Your accountant or HM Revenue & Customs.
Current tax tables covering payroll withholdings such as National Insurance premiums.	QuickBooks downloads them automatically for you when you are subscribed to the Payroll Service.
<b>Compensation, benefits, and other payroll items</b>	
How you pay your employees and directors: hourly wages, salaries, and/or commissions.	Your accountant or company records.
Things you add to employee payroll payments. ■ Examples include bonuses, statutory payments, tax credits, etc.	Your accountant or company records.
Things you deduct from employee payroll payments. ■ Examples include union dues, repayments of employee loans or advances, health or life insurance paid by the employee, deductions for personal pension plans, collection of student loans.	Your accountant or company records.
Expenses your company pays that are based on employee payroll payments (employer contributions). ■ Examples include employer contributions to employee pension funds, health or life insurance paid by the company, etc.	Your accountant or company records.
Special information for company directors: ■ Are you going to calculate the NIC deductions according to the annual (or pro-rata annual) or the per period (as employee) method?	Your accountant or company records.

Information you need to start	Where to find it
<b>Employees</b>	
Employee names, addresses, dates of birth, and National Insurance Numbers.	Employees.
Employee's rate of pay or salary and payroll payment additions, deductions, and employer contributions (if any).	Payroll cheques, P45, reports, or payroll ledger.
Employee NI and Tax Codes, P45 information (for employees who started in the current payroll year), and tax credit details.	Employees, P45, P11, reports, payroll ledger and employees.
Is employee a director?	Company information, employee, existing payments, reports, or payroll ledger.
Bank details if paid by BACs.	Employees.
Statutory payments including Statutory Sick Pay (SSP), Statutory Maternity Pay (SMP), Statutory Adoption Pay (SAP) and Statutory Paternity Pay (SPP).	Your accountant or existing payments.
Holiday time accruing policies and amounts.	Existing payments, reports, or payroll ledger.
<b>Year-to-date amounts</b>	
Each employee's payroll amounts from the beginning of the payroll year to the date you started using QuickBooks. <ul style="list-style-type: none"> <li>■ That is, the total amount you've paid out to the employee so far this year, and</li> <li>■ The total amounts you withheld from each of the employee's payments and what for.</li> </ul>	Copies of employee payroll cheques, payroll slips, former payroll service, payroll reports, accountant, payroll ledger.
Your payroll liability amounts from the beginning of the financial year to the date you started using QuickBooks. <ul style="list-style-type: none"> <li>■ That is, the total amounts you withheld from all payroll payments you issued this year, and,</li> <li>■ How much you already remitted to the HM Revenue &amp; Customs, benefits providers, etc. as a result of these liabilities.</li> </ul>	Former payroll service, accountant, payroll ledger.
Method of calculation for director NICs (annual/pro-rata annual or per period.	Former payroll service, accountant, payroll ledger.

# Payroll expense and liability accounts

When payroll is turned on, QuickBooks adds two accounts to your Chart of Accounts:

- Payroll Expenses (an Expense account)
- Payroll Liabilities (an Other Current Liability account)
- Attachment Deductions (an Other Current Liability account to track AEOs)

To keep your balance sheet and profit and loss statement accurate, QuickBooks associates each payroll item with the appropriate account or accounts.

Whenever you create a new payroll item, QuickBooks helps you assign it to the correct account or accounts by prefilling the account name to use. However, you can use a different account if you like. For example, an accountant for a limited company may want to create subaccounts of the Payroll Expenses and Payroll Liabilities accounts to track expenses for directors versus other employees.

It is also correct for some types of payroll items (such as a deduction for a loan repayment) to be associated with an account other than an expense or a liability account.



To learn about...	Search the Help index for...
Payroll Liabilities account	payroll liabilities, account for
Payroll Expenses account	payroll expenses, account for

## Customising payroll accounts

You can change the names of the payroll liability account and payroll expense account that QuickBooks provides by default. And, if you use numbered accounts, you can change the default account numbers.

To see more detail of your payroll liabilities on your balance sheet, break down your Payroll Liabilities account by using subaccounts. Similarly, use subaccounts for your Payroll Expenses to see more detail of your payroll expenses on your profit and loss statement. For example, a limited company may need to report expenses for directors separately from other salaries.



To learn about...	Search the Help index for...
Adding new accounts	accounts (managing), adding
Changing account information	accounts (managing), editing
subaccounts	subaccounts



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# Setting up your payroll items

## The importance of payroll items

Payroll items are the building blocks of your QuickBooks payroll system. When you create any kind of payroll transaction in QuickBooks—whether it’s a payroll payment, a liability payment, or a payroll adjustment—you use payroll items to do it (in the same way that sales forms use service or stock items).

There are payroll items for employee compensation (salaries and hourly wages), amounts you withhold from employee payroll payments (taxes and other liabilities), employer-paid expenses (such as employer-paid benefits), and additions and deductions (such as bonuses and loan repayments). QuickBooks uses payroll items to track the individual amounts on a payroll payment and the accumulated year-to-date wage and tax amounts for each employee.

QuickBooks displays your payroll items on the Payroll Item list. The names of the payroll items are what you’ll see on payroll payments and in payroll reports.



To learn about...	Search the Help index for...
Payroll items	payroll items, defined payroll items, editing

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## About the default payroll items

When you first turn on the payroll feature, QuickBooks creates the Payroll Item list with some standard payroll items. These include:

Payroll item name	Type	Use for
Holiday Salary	Salary	Amount paid for holidays taken by a salaried employee
Salary	Salary	Amount paid per year, irrespective of hours worked
Salary Backpay	Salary	Amount paid per year to cover a previous period, irrespective of hours worked
Sick Salary	Salary	Amount paid for sick time taken by a salaried employee
Holiday Hourly	Hourly Pay	Amount paid per hour to an hourly employee for holiday time
Hourly Backpay	Hourly Pay	Amount paid per hour to cover a previous period
Hourly Pay	Hourly Pay	Amount paid per hour to an hourly employee
Sick Hourly	Hourly Pay	Amount paid per hour to an hourly employee for sick time
Bonus	Addition	Bonus pay
Statutory Adoption Pay (SAP)	Addition	Statutory Adoption Payments (unlike SMP, SPP and SSP, SAP is not automatically calculated; see the online Help for information on how to pay SAP)
Statutory Maternity Pay (SMP)	Addition	Statutory Maternity Payment
Statutory Paternity Pay (SPP)	Addition	Statutory Paternity Payments
Statutory Sick Pay (SSP)	Addition	Statutory Sick Payments
SPS - Employee	Deduction	Employee portion of a Stakeholder Pension
SPS - Employer	Employer Contribution	Employer portion of a Stakeholder Pension for an employee
Pension payout	Addition	(Only appears if you complete the payroll section of the EasyStep Interview)
Employer pension contribution	Employer Contribution	(Only appears if you complete the payroll section of the EasyStep Interview)
Employee pension contribution	Deduction	(Only appears if you complete the payroll section of the EasyStep Interview)
Additional Voluntary Contribution (AVCs)	Deduction	(Only appears if you complete the payroll section of the EasyStep Interview)
Give as You Earn (GAYE)	Deduction	(Only appears if you complete the payroll section of the EasyStep Interview)

Payroll item name	Type	Use for
Collection of Student Loan	Payroll Taxes	Student Loan repayments deducted directly from an employee's payment
Tax Credit	Tax Credit	Tax Credits awarded to employees from HM Revenue & Customs
Income Tax	Payroll Taxes	Income tax withheld from an employee
NIC Employee contracted-out	Payroll Taxes	National Insurance for a contracted-out employee
NIC Employee not contracted-out	Payroll Taxes	A regular (not contracted out) employee's portion of National Insurance
NIC Employee Rebate	Payroll Taxes	National Insurance rebate respecting a contracted-out employee
NIC Employee Rebate (ER)	Payroll Taxes	Employer portion of National Insurance Rebate respecting a contracted-out employee
NIC Employer	Payroll Taxes	The employer's portion of National Insurance for an employee
NIC Employer Rebate	Payroll Taxes	National Insurance rebate for the employer of a contracted-out employee
SMP Recovery	Statutory Pay Recovery	Tracks the Statutory Maternity Pay recovery amount that is used to reduce the total liability payments. If you qualify for SER, also tracks the NIC compensation amount.
SPP Recovery	Statutory Pay Recovery	Tracks the Statutory Paternity Pay recovery amount that is used to reduce the total liability payments. If you qualify for SER, also tracks the NIC compensation amount.
SAP Recovery	Statutory Pay Recovery	Tracks the Statutory Adoption Pay recovery amount that is used to reduce the total liability payments. If you qualify for SER, also tracks the NIC compensation amount.
SSP Recovery	Statutory Pay Recovery	Tracks the Statutory Sick Pay recovery amount that is used to reduce the total liability payments. If you qualify for SER, also tracks the NIC compensation amount.
Online Filing Rebate	Online Filing Rebate	Rebate awarded from HM Revenue & Customs if you electronically file your 04/05 end-of-year payroll forms before the mandatory date.

# Creating new payroll items

As you set up your payroll system, you will need to create new payroll items to match the way you pay your employees. To create new items, use the Add New Payroll Item wizard.

To start the Add New Payroll Item wizard:

- With the Payroll Items list open, click the **Payroll Item** menu button, then select **New**.

Payroll item type	Use for
Wage	Use <b>Salary Wages</b> for compensation to employees or directors whose annual salary is independent of the number of hours actually worked.  Use <b>Hourly Wages</b> for compensation based on the number of hours worked. Use <b>Commission</b> for compensation based on a percentage of another quantity (such as sales volume) or a flat amount multiplied by another quantity (such as units sold).
Addition	Any addition to gross or net pay such as a bonus.
Deduction	Any deduction from gross or net pay. Examples include union dues, loan repayments, employee deductions for pension schemes, or employee-paid insurance.
Employer Contribution	Any employer-paid benefit or expense that you want to track with each payroll payment. Examples include employer contributions to a pension scheme.
Attachment of Earnings Order	A deduction from an employee's gross pay (ordered from a court) to pay down an employee's debt.

You can limit payroll items to a maximum amount, either annually (e.g. an employee's union dues cannot be more than £150 per year) or absolutely (e.g. an employee's loan repayment cannot be more than £2000, the amount of the loan).

As you create the item in the wizard, you should:

- Confirm that the expense and liability accounts assigned to it meet your needs and change them, if you need to.
- Choose whether to track the payroll item on P14/P60 forms if it's an addition, deduction, or employer contribution. If you're not sure which taxes should be affected by a payroll item, check with your accountant or HM Revenue & Customs.



To learn about...	Search the Help index for...
Changing the name of payroll items	payroll items, editing
Adding payroll items	payroll items, adding

## Payroll items and expenses

An expense is similar to a debt except that you pay the expense as soon as you owe it. Common employer payroll expenses include gross pay (e.g., wages before taxes), employer-paid payroll taxes (e.g., the employer's part of National Insurance) and employer-paid benefits for employees (e.g., premiums for an employer-paid health plan).

For all payroll expenses, QuickBooks suggests using the Payroll Expenses account. When you run payroll, QuickBooks keeps track of your company's expenses for each employee. You can then see totals for your expenses on the Payroll Summary report and on the Profit and Loss Statement.

### Keeping track of payroll expenses

You can break down employer-paid payroll expenses by job, class, and service item. Expenses that you can break down include:

- salary wages, hourly wages, and commissions
- Employer-paid payroll taxes
- Additions and employer contributions such as bonuses

QuickBooks can pro-rate the employer-paid expenses for an employee in the same proportion as the amounts of the employee's earnings. Additions, commissions, or employer contributions can also be pro-rated.

### Tracking expenses by customer and job

Some businesses like to see which customers and jobs create the most work and so the most expenses for them. To track payroll expenses by customer and/or job, do the following:

- In QuickBooks Regular, turn on "Use customer:job tracking" in the Accounting preferences. (In QuickBooks Pro or higher, this is always on.)
- Tick the following Payroll & Employees preference: "Report all payroll taxes by ...". Then choose whether you want to assign one class to an employee's entire payroll payment or to each of the payroll items you use on the payroll payment.
- Review all of your commission, addition, or employer contribution payroll items to make sure the check box for "Track Expenses by Job" is ticked.
- When you create a payroll payment for an employee, select the correct customer:job or jobs from the drop-down menu for each salary or hourly wage payroll items you enter.

## Tracking expenses by class

Businesses often wish to track income and expenses by department or projects. Similarly, if you are a charity you may wish to track your income and expenses by project, restricted and un-restricted funds. This can be done by using classes. To track payroll expenses by class, do the following:

- Turn on “Use class tracking” in the Accounting preferences.
- Turn on the following Payroll & Employees preference: “Report all payroll taxes by....” Then choose whether you want to assign one class to an employee’s entire payroll payment or to each of the payroll items you use on the payroll payment.
- Review all of your commission, addition, or employer contribution payroll items to make sure the check box for “Track Expenses by Job” is ticked.
- When you create a payroll payment, either select the correct class or the payment or assign a separate class to each earnings payroll item on a payroll payment, according to the Payroll & Employee preference you chose.

## Tracking expenses by service item (QuickBooks Pro and higher only)

Some businesses track expenses by service item. (A service item is what you use on sales forms to charge your customers for services you provide, such as labour.) To track payroll expenses by service item, do the following:

- Turn on the following Payroll & Employees preference: “Report all payroll taxes by....” Then choose whether you want to assign one class to an employee’s entire payroll payment or to each of the payroll items you use on the payroll payment.
- Review all of your commission, addition, or employer contribution payroll items to make sure the check box for “Track Expenses by Job” is ticked.
- Make sure that in the record you set up for each of your employees, the check box for “Use time data to create payments” on the Payroll & Compensation Info tab is ticked.
- Have your employee create time sheets using service items associated with the Customer:Job he or she worked on.
- Pay your employee using the data from the time sheets or send an invoice to your customer using the time and costs feature.



### To learn about...

Keeping track of payroll expenses by customer:job, class or service item

### Search the Help index for...

payroll, tracking expenses

## Payroll items and liabilities

Often, you have to deduct amounts from your employees' pay and pass them on to the government. For example, when you pay an employee, your company temporarily keeps the income taxes he or she owes and remits that money to the government later.

These types of deductions are not expenses because the money you pass on comes from the employee, not your company. Instead, because you temporarily keep money that you owe to someone else, these types of deductions are liabilities. Payroll items for liabilities are usually assigned to the Payroll Liabilities account.

When you run your payroll, QuickBooks calculates how much you owe the government for each withholding tax, deduction, and employer contribution payroll item and records the amounts in the Payroll Liability account. With each payroll payment you create, the balance of this account increases. When you pay your payroll taxes and other payroll liabilities with the Pay Liabilities window, QuickBooks decreases the balance of the liability account. Recovery of statutory pay also decreases the balance of the liability account.

## Combinations of expenses and liabilities

Some payroll items are a combination of liabilities and expenses. For example, the portion of National Insurance (NIC) that you withhold from an employee's payroll payment is a liability, while the portion that you pay as an employer is an expense.

Payroll items for employer-paid taxes and employer contributions are usually assigned to both a liability account and an expense account.

## How to set up common payroll items

Follow this guide as you set up your payroll items.

Payroll item	Type	Pension/ Pensionable	Gross or Net	Collection of Student Loans	Income Tax	NICs	P60 Tracking
Car allowance	Add'n	✓	Gross	✓	✓	✓	Earn
Child Support Agency	Ded'n		Net				
Commission	Add'n	✓	Gross	✓	✓	✓	Earn
Company Car Contribution	Ded'n		Net				
ESPP contribution	Ded'n		Net				

Payroll item	Type	Pension/ Pensionable	Gross or Net	Collection of Student Loans	Income Tax	NICS	P60 Tracking
Expenses	Add'n	✓	Net				
Give As You Earn	Ded'n		Gross	✓	✓	✓	
Health Insurance Deduction	Ded'n		Net				
Housing Allowance	Add'n	✓	Gross	✓	✓	✓	Earn
Pay in Lieu of Notice	Add'n	✓	Gross	✓	✓	✓	Earn
Redundancy Payment (up to £30,000)	Add'n	✓	Net				
Save As You Earn	Ded'n		Gross	✓	✓	✓	
Staff Loan	Add'n	✓	Net				
Staff Loan repayment	Ded'n		Net				
Stock option exercise	Add'n	✓	Gross	✓	✓	✓	Earn

## Setting up payroll items for pension contributions

After setting up your other payroll items, you can set up pension contributions that are based on a percentage of an employee's pension-based earnings.

There are many different types of pensions. As you set up pension payroll items for your employees, be sure you understand how the pension works and its income tax consequences. Once you have created the pension contribution payroll items using the payroll items wizard, you can apply them as necessary to each employee's pay.

### What are pensionable earnings?

A pension contribution is usually a percentage of an employee's wages or earnings. The wages or earnings used to calculate the contribution is referred to as the pension earnings base. The pension earnings base is the employee's pay or the employee's pay combined with any additions.



For example, your employee has a wage of £1,000 per month and receives a bonus of £500. The employee's pension earnings base would be £1,500. Therefore, if the employee's pension contribution is 10% of his or her pension earnings base, the pension contribution would be £150.

To set up pension contributions in QuickBooks:

- 1 Create the payroll items you would normally use to pay your employees. As you do, indicate whether each payroll item should be included in the employee's pension earnings base. (In the Payroll Item wizard, tick the "Payroll item is pensionable earnings" check box.)
- 2 Create a Deduction payroll item for employee pension contributions if the deduction payroll items provided by default don't meet your needs. (In the Payroll Item wizard, tick the Pension Contribution check box.)
- 3 Create an Employer Contribution payroll item for employer pension contributions. (In the Payroll Item wizard, tick the Pension Contribution check box.)
- 4 Add pension contribution payroll items to an employee's record, or if this pension is applicable to all or most of your employees, add it to the employee defaults. For more information on setting up employee defaults, see page 178.

**Tip:** If you require additional help on the above steps, refer to the online Help.

Once you have created some payroll payments that include pension contributions, generate a **Payroll Pension Detail** report to see a summary of the pension contributions paid on behalf of each employee. Note that the Earnings Base column in this report will show amounts for pension contributions that are based on a percentage of the pension base, otherwise this column shows zeros.



#### To learn about...

Creating a payroll item to be included in pensionable earnings

Creating a payroll item for an employee pension contribution

Creating a payroll item for an employer pension contribution

Adding a pension contribution payroll item to an employee's record

Generating a Pension Detail Report

#### Search the Help index for...

payroll items, creating a pension earnings base

payroll items, adding employee pension contributions

pension items, adding employer pension contributions

employees, adding a pension contribution to

payroll pension detail report

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# Setting up employees



Use payroll only to pay employees and directors, not subcontractors or owners.

To pay subcontractors, set them up as suppliers, have them bill you, and pay them with the Pay Bills feature. Later, for your year-end forms, create a report to show you how much you have paid each subcontractor and enter amounts withheld from subcontractors for income tax on to the P35 form.

To pay owners, use an owner's drawing from an equity account.

Generally, an employee is a person you pay on a regular and ongoing basis to perform services for your company, using materials and equipment you provide.

Usually, people in business for themselves are owners or partners, not employees. Always pay owners and partners with an owner's drawing instead of a payroll payment. If you need to track commission sales for owners or partners, add them to the Sales Rep. list.

If your business is limited, directors who work in the business are usually paid as employees, but their NICs will be calculated differently. You will need to decide whether to use the annual/pro-rata method of calculation, or the alternative per period (as employee) method.

If you're not sure whether a person providing services for you is an employee, owner, or contractor, contact the HM Revenue & Customs or your accountant for advice.

To set up employees for payroll, you need to:

- (Optional but recommended) Set up employee defaults.
- Add new employees to your Employee list, or add payroll information for employees already on your Employee list.

## Employee defaults: entering common employee information

Employee defaults help you set up payroll for several employees quickly. You enter payroll information that is common to most employees. These defaults then show up every time you create a new employee. If the information is different for a particular employee, you can change it for him or her. This feature is also useful if you need to make sweeping changes to all of your employees. For example, if the pension deduction rate changes, you can enter the change once in the Employee Defaults window as opposed to changing each employee record!

**To create default settings for your employees:**

- 1 From the Employees menu, select **Employee List**.
- 2 From the Employee menu button, select Employee Defaults.

You can set up the following information as employee defaults:

- Salary or hourly wage payroll items (with or without rates)
- Pay frequency
- Pay method
- Class, if you're using classes to track your employees
- Whether you want to use time data for the employee and base payroll payments on it (QuickBooks Pro and higher only)
- Additions, deductions, and employer contributions that appear on payroll payments for most employees

**Note:** The order you enter payroll items in the Addition, Deductions, and Employer Contributions table can affect the amount QuickBooks calculates for each item and for taxes.

- Payroll taxes and other withholdings
- How employees accrue time (such as sick and holiday time). This count does not apply to statutory payments such as Statutory Sick Pay or Maternity Pay

In QuickBooks Pro or higher, this check box appears only if time tracking is turned on.

You can turn time tracking on and off in the Time Tracking section of Preferences, located in the Edit menu.

The **Class** field is available only if you have class tracking turned on.

You can turn class tracking on and off in the Accounting section of your Preferences, located in the Edit menu.

Click here to set up common working days patterns for SSP.



## To learn about...

Setting up the employee defaults

Determining the order in which you add payroll items to the Employee Defaults window

## Search the Help index for...

employee defaults, creating

employee defaults, order of payroll items in

# Setting up employees

Before setting up your employees in QuickBooks, you should create the payroll items you need for your company (see “Setting up your payroll items” on page 169).

Also, if you’ve already set up your employee defaults (if not, see “Employee defaults: entering common employee information” on page 178), QuickBooks can prefill much of the information you need when you set up individual employees.

Each of your employees needs to tell you about which payroll taxes apply to him or her and which tax credits he or she will claim. If he or she has a P45 from a former employer, the employee should provide it as well.

The Employee list contains the names of all your employees. A personal record or profile is also stored in this list. When you add or edit an employee’s record, you will see that it is broken down in to three tabs or sections (Personal, Payroll and Compensation Info and Statutory Pay Info). Use this table to help set up a record of each of your employees.

Employee record tab	Used to set up...
Personal Info	<p><b>Address Info:</b> the employee’s contact information, National Insurance number, date of birth, joining and leaving dates and similar information.</p> <p><b>Additional Info:</b> custom fields for tracking any extra information you want to record that is not covered in Address Info.</p>
Payroll and Compensation Info:	<p>Set up the employee’s salary or hourly wages, commissions and additions; and deductions, AEOs or employer contributions that apply to him or her. You’ll need payroll items for most of this information, which you select in the Item Name column of the tables. If you have not already set up all the payroll items you need, QuickBooks gives you a chance to add them as you work. If you track and pay your employees using the QuickBooks Pro Timer or the Stopwatch, tick the <b>Use Time data to create payments</b> check box. For information on time tracking, see “Time and cost tracking” on page 229.</p> <p>If an employee has a tax credit, QuickBooks provides a <b>Tax Credit</b> payroll item for you to set up.</p> <p>The Payroll and Compensation Info tab is broken down further with the use of four buttons. Click these buttons to set up the following payroll information.</p>

## Employee record tab Used to set up...

Sick/Holiday...

Click this button to set up how the employee accrues sick time and holidays. This window tracks how much sick time and holiday time an employee has accrued and used. This information on this window is not related to the Statutory Sick Pay or Advanced Holiday Payment information. It is only related to the Sick/Holiday accrual information.

Tag/NI Details...

Click this button to open the Taxes window where you can set up tax and NI information for an employee. When entering tax and NI codes, ensure that the "Effective from" date you enter is the date the code became effective (usually the start of the payroll period), and *not* the date you first issued a payroll payment to the employee.

Refer to the following list for guidelines on setting up an employee's taxes.

- **Tax Code:** if an employee starts working for you but doesn't know his or her tax code, HM Revenue & Customs provides you with a temporary one, which you can enter in the Taxes window. You can find emergency tax codes under Employee -> Payroll Service -> click Tax Table.  
If you need to enter an income tax code for an employee on a Week 1/Month 1 basis, enter his or her tax code in the Tax Code field, then put an "X" at the end (for example, "475LX" or "K325X").
- **NI Code:** If an employee's NI code changes in a tax year, you can change it here.
- **Scottish Variable Rate:** if the employee is affected by a varying tax rate in Scotland, tick this check box. (QuickBooks adds an "S" to the front of his or her tax code.)
- **Collection of Student Loans:** if the employee is repaying a student loan, tick the "Subject to Collection of Student Loans" check box.
- **Director's NI:** if the employee is a director of the company, tick the Director check box, then enter his or her appointment date and whether or not the director holds an APP (Appropriate Personal Pension). You will also need to choose whether to calculate the director's NICs according to the annual/pro-rata method or the per period (as employee) method.

Bank Details...

Enter the employees's bank account information for BACS payments.

## Employee record tab Used to set up...

Previous Employment...

Enter the details of an employee's P45 form if the employee came to you from another employer part way through the tax year. You can also enter the details from an employee's **SSP1(L)** form if he has one.

### Statutory Pay Info

This window is broken down in to three tabs to represent the following statutory payments that QuickBooks currently calculates: SSP, SMP and SPP. For more information on how to set up statutory pay, see "Setting up and paying Statutory Payments" on page 184. Refer to the online Help for instructions on how to set up statutory adoption payments.

QuickBooks also provides a "notepad" in which you can record notes about an employee.



### To learn about...

Adding employees

Setting up payroll information for existing employees

Categorising employees by class

Types of employees

How the order of payroll items affects amounts on your employee's payroll payments

How to decide whether to calculate a director's NICs by the annual or per period method.

### Search the Help index for...

employees, adding

employees, payroll information about

employees, grouping by department or location

employees, types

payroll payments, affecting amounts

NIC, directors

## If you pay on commission (QuickBooks Pro and higher)

If your employees earn commissions for items they sell, after setting them up on the Employee list, you should also set them up on the Sales Rep list.

When you enter an invoice, sales receipt, or estimate, select the employee's initials from the **Rep** drop-down list on the sales form to give him or her credit for the sale. Then you will be able to produce reports showing sales by employee.

Pay commission employees with commission payroll items on a payroll payment, not a "regular" non-payroll cheque.

To track commission sales for owners or directors, add them to the Sales Rep list like employees, but pay them with an owner's draw instead of a payroll payment.



### To learn about...

Paying the owner(s) of a business

### Search the Help index for...

owners' drawings

## Setting up and paying Statutory Payments

As an employer, you must pay statutory pay to employees as long as they qualify. QuickBooks calculates Statutory Sick Pay, Statutory Maternity Pay and Statutory Paternity Pay automatically.

If employees are entitled to statutory pay, simply enter the details of their payments in their employee record. QuickBooks then automatically begins paying the employee his or her statutory pay and calculates the recovery portion in the Pay Liabilities window. SSP, SMP and SPP payments and the amounts you can recover are also tracked on the P35 and P14/P60 tax forms.

- ② Once you know when your employee will be off on statutory leave, enter the day the payments are to begin and end. QuickBooks uses these dates to determine when to calculate based on statutory pay.

- ① Enter the details of the statutory pay here.

If setting up Maternity Pay, QuickBooks calculates the end date of the statutory pay period for you.

**Average Earnings Calculations:** To see an employee's average earnings, select the statutory entry type in the Employee Journal, then click this button.

**Note:** QuickBooks does not automatically calculate SAP. However, you can still set up Statutory Adoption Payments in QuickBooks. Refer to the online Help and search for 'SAP' for information on how to set up adoption payments.

If you want to see a breakdown of the amount of money you can recover, create a Statutory Payments Detail report. If you qualify for SER, you'll need know the recovery amount including the NIC compensation for your P32 and P35 forms. For more information on this report, see "To create a Statutory Payments Detail report:" on page 206.

**Note:** If you made statutory sick, maternity or paternity payments (SSP, SMP and SPP) to employees before you set up your company in QuickBooks, you'll need to enter the Statutory Pay information from your previous accounting package or your accountant before QuickBooks can calculate further Statutory payments. You can enter SSP, SMP and SPP details in the Employee record on the Statutory Pay Info tab (open the employee record from the Employee List, select the Statutory Pay Info tab, then click the 'Previous Info' button).



## Statutory Sick Pay (SSP)

As an employer, you must pay Statutory Sick Pay (SSP) to employees who are off work sick. To see if your employee is entitled to SSP, visit HM Revenue & Customs's Web site at [www.hmrc.gov.uk](http://www.hmrc.gov.uk) and search for 'ssp'.

### To set up statutory sick pay for an employee:

- 1 Open the New/Edit Employee window from the **Employees** list.
- 2 From the Change tabs drop-down list, select Statutory Pay Info.
- 3 On the SSP tab, set up the working days patterns for the employee. (See the online help for more information about working days patterns.)
- 4 In the Employee Journal table, under the Entry Type column, select 'Sick'.
- 5 Enter a Start Date and an End Date (if known) of the illness.
- 6 Click OK to save changes and exit the New/Edit Employee dialogue.

QuickBooks automatically calculates and includes SSP on payments during the time specified, and tracks the SSP amounts to the Statutory Payments Detail report and to the P35 and P14/P60 tax forms.



#### To learn about...

Recording statutory sick pay

Setting up working days patterns

Previous ssp info

#### Search the Help index for...

ssp

working days patterns

ssp, previous info

## Statutory Maternity Pay (SMP)

As an employer, you must pay Statutory Maternity Pay (SMP) to employees who are off work pregnant or on maternity leave. To see if your employee is entitled to SMP, visit HM Revenue & Customs' Web site at [www.hmrc.gov.uk](http://www.hmrc.gov.uk) and search for 'smp'.

### To set up statutory maternity pay for an employee:

- 1 Open the New/Edit Employee dialogue from the Employees list.
- 2 From the Change tabs drop-down list, select Statutory Pay Info.
- 3 Click the SMP tab.
- 4 Under the Current Maternity Info section, enter the details of the employee's pregnancy. (See the online help for more information about Current Maternity Info fields.)
- 5 In the Employee Journal table, under the Entry Type column, select Maternity Leave, then enter a Start Date of the maternity leave (the End Date is automatically calculated and entered).
- 6 Click OK to save changes and exit the New/Edit Employee dialogue.

QuickBooks automatically calculates and adds SMP to payments during the time specified, and tracks the SMP amounts to the Statutory Payments Detail. SMP amounts are also tracked to P14/P60 tax forms, and SMP recovery and NIC compensation amounts are tracked to the P35.



#### To learn about...

Recording Statutory maternity pay

Previous smp info

#### Search the Help index for...

smp

smp, previous info

## Statutory Paternity Pay (SPP)

As an employer, you must pay Statutory Paternity Pay (SPP) to employees who are off work to help care for their newborn child, or (if adopting) an adopted child that has been placed with them.

A employee entitled to SPP can take one or two whole weeks of SPP. To pay an employee SPP, you must first get him to fill out a 'Becoming a parent, form SC3, or a 'Becoming an adoptive parent, form SC4'. To see if your employee qualifies for SPP, visit HM Revenue & Customs' Web site at [www.hmrc.gov.uk](http://www.hmrc.gov.uk) and search for 'spp'.

### To set up statutory paternity pay for an employee:

- 1 From the Employees list, select the employee that is taking SPP and open his employee profile (click the Employee menu button and select Edit).
- 2 From the Change tabs drop-down list, select Statutory Pay Info then select the SPP tab.
- 3 Select the reason for paternity leave. What you select here determines the names of the fields in the 'Current Paternity Info' section.
- 4 Under the Current Paternity Info section, enter the details of the employee's parental leave. (See the online help for more information about Current Paternity Info fields.)
- 5 In the Employee Journal table, under the Entry Type column, select Paternity Leave, then enter a Start Date and End date. The end date must occur one or two whole weeks after the specified start date. Employees cannot take partial weeks of paternity pay.
- 6 Click OK to save changes and exit the New/Edit Employee dialogue.

QuickBooks automatically calculates and adds statutory paternity payments to payments during the time specified and tracks the SPP amounts to the Statutory Payments Detail report . SPP amounts are also tracked to P14/P60 tax forms, and SPP recovery and NIC compensation amounts are tracked to the P35.



#### To learn about...

Recording Statutory Paternity Pay

#### Search the Help index for...

SPP

## To learn about...

Previous SPP info

Recovering SPP payments

## Search the Help index for...

SPP, previous info

SPP, recovering

# Setting up and paying Attachment of Earnings Order

You may receive a court order instructing you to deduct an Attachment from your employee(s). If so, as an employer, you are legally required to comply by deducting the amounts and making payments directly to the issuing authority, usually on a weekly or monthly basis.

To deduct Attachment of Earnings Order from an employee:

- 1 Create an Attachment payroll item. See “Creating new payroll items” on page 172 for details.
- 2 Add the Attachment payroll item to the employee’s record. (Open the employee record, then add the Attachment payroll item to the Payroll and Compensation Info tab.) You will be prompted to enter all the court order information. It is here that you enter the type of the court order and the details of the amounts.
- 3 Pay the employee as you normally would. You will see on the employee’s payslip the details of the Attachment. QuickBooks automatically calculates the AEO amount and deducts it, as well as the Administrative Fee (if selected), from the employee’s pay.
- 4 Send the Attachment to the issuing authority. Depending on the details of the AEO, you may have to send payment weekly or monthly.
  - a) Go to the Employees menu, select Process Payroll Liabilities, then Pay Attachments.
  - b) Ensure the date range covers the period of time from which you deducted AEOs from the employee.
  - c) Select the AEOs you want to remit to the issuing authority.
  - d) Click Create.
  - e) Review the cheque that appears, then print it.
  - f) Print a payroll liability voucher to send with your payment. Go to the File menu, select Print Forms, then select Payroll Liability Voucher.

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# Summarising amounts for the year-to-date

**Note:** Skip this section if your company has not done payroll before or has not issued any payroll payments this year. You are ready to start creating payroll payments.

If you're just starting to use QuickBooks for payroll and you've already issued payroll payments for this payroll year, you need to:

- Enter year-to-date (YTD) information to summarise your payroll transactions from 6<sup>th</sup> April (the start of the payroll year) through to your QuickBooks start date. For an explanation of start dates, see "Determining a start date" on page 18.

You will need a summary of the payroll transactions for each employee and also one of any payments you've made for your payroll liabilities to HM Revenue & Customs.

- Enter your payroll transactions (payroll payments and liability cheques) for the period between your QuickBooks start date and today.

A wizard helps you enter your year-to-date (YTD) information. To start it, go to the **Employees** menu, and select **Set Up YTD Amounts**. QuickBooks updates it as you issue payroll payments during the remainder of the payroll year to keep your payroll tax amounts correct. (The YTD wizard is not meant for entering information from an employee's P45 form, which belongs in his or her employee profile or record. See page 180 for more information.)

## Entering year-to-date summaries for each employee

For each employee (both current and former) you paid during the current payroll year, you must enter a summary of his or her earnings, and the amounts you deducted from it. The summary should cover the period from 6<sup>th</sup> April through to the day you started using QuickBooks. In the summary, include gross pay, income tax, NIC's, and any other amounts you tracked on payroll payments.

You need to enter both the amounts you withheld from the employee's earnings *and* the amounts that you paid as a result of the employee's earnings. For example, you must enter both the employee's and employer's parts of NI summaries.

Depending on how you've kept your records, you can enter amounts summarised by month, by pay period, or for the entire year to date.

As you work through the Enter YTD wizard, it asks you to select the employee whose year-to-date information you want to enter. When you click **Enter Summary**, QuickBooks displays each payroll item you entered in that employee's profile.

## Filling in the Year-to-Date window:

- In the “Employee Salary and hourly wages totals” area, enter payroll items for sick and holiday time taken during this period and their corresponding wage amounts. Do not include them in your totals for regular salary or hourly wages.
- In the “Employee and Employer YTD totals...” area, leave the YTD Amount field blank if there was no amount for this payroll item during this period.
- In the “Employee and Employer YTD totals...” area, add payroll items for one-time-only payroll amounts, such as bonuses, that occurred during this period. You must enter anything that affects compensation or payroll taxes. You do not have to enter non-payroll adjustments such as reimbursements for office supplies.

If you want, you can type a description about this adjustment.

In this area, enter the totals for salary, hourly wages, and holiday and sick time paid out during this period.

Enter hours worked during the period if you want hours to appear on reports. QuickBooks displays a message if hours are required.

Item Name	YTD Amount	Hours for Period
Salary	6,000.00	

Item Name	YTD Amount	Earnings Basis
Income Tax	2,100.00	6,000.00
NIC Employee not contracted...	98.00	6,000.00
NIC Employer	128.00	6,000.00
SMP		

To insert a payroll item, press CTRL+INSERT. You can skip over items not used in this period.

In this area, enter totals for all other earnings, withholdings, and employer-paid taxes or payroll expenses for this employee.

Include taxes regardless of whether you have paid them yet.

- Enter separate amounts for the employee and employer portions of National Insurance. QuickBooks uses the separate amounts to track totals for employee withholding; it uses both portions to track your total payroll liability.
- Enter all tax liabilities created because of compensation paid, even if the amounts were paid later or were employer expenses. If you have refunded an employee more income tax than you have withheld, enter the difference as a negative amount.
- If you track employer-paid expenses (such as insurance) as a payroll expense for each pay period, you must type amounts for the employee so far this payroll year in this window. Later in the setup procedure, you must also enter the amounts actually paid so that QuickBooks can keep track of how much you still owe.

- If your employees have tax credits, enter them as follows:
  - if you both started and finished paying the tax credit in this period, select the tax credit payroll item in the 'Additions, Deductions, Employer Contributions, and Tax Credits' area and enter the total amount of the tax credit.
  - if you started paying the tax credit in this period but finished it in another period, select the tax credit payroll item in the 'Additions, Deductions, Employer Contributions, and Tax Credits' area and enter the amount of the tax credit you paid this period. Enter the remaining amount in the YTD summary for the next period.
  - if you are still paying the tax credit to the employee, enter it in two places:
    - in the YTD window, select the Tax Credit payroll item in the 'Additions, Deductions, Employer Contributions, and Tax Credits' area and enter the amount of the tax credit you paid up to your QuickBooks start date.
    - Open the employee record (from the Employee list), select the Payroll and Compensation Info tab and select the Tax Credit payroll item from the 'Additions, Deductions, Employer Contributions, and Tax Credits' table. In the Tax Credit Details window that appears, complete the 'Up to date info' section (see 'Adding a tax credit payroll item to an employee's record' in the online Help for more details).
- (Employees only) In the 'NI from P11' area, break down the employee's earnings according to the NI Lower Earnings Limit (LEL), Earnings Threshold (ET), and Upper Earnings Limit (UEL) for each payment in this period. The P11 form that you created for this employee with your former payroll system should provide this information. Check Columns 1a, 1b, and 1c in the End of Year Summary section.

If an employee changed NI codes during a payroll period prior to your QuickBooks start date, you need to enter a year-to-date entry for each NI code change. For example, if an employee's NI code changed from an A to a C, you must enter two YTD entries: one to cover the time frame during which the employee had an A code, and another to cover the C NI code time frame.

After you've entered the amounts for this period, click **OK** to finish. If you have another period to enter, click **Next Period** instead.

## Should my year-to-date information affect my accounts?

Option	When to choose	What QuickBooks does
Do not affect accounts	<p>Most people should choose this option at setup.</p> <ul style="list-style-type: none"> <li>You need to enter all your account opening balances in QuickBooks as of your start date, and you do not want these amounts to change the balances of your accounts.</li> <li>If your start date is midyear, and you make an adjustment for all income and expense accounts, you do not want these amounts to affect that adjustment.</li> </ul>	<ul style="list-style-type: none"> <li>Affects no balance sheet accounts and adds no expenses.</li> <li>Adjusts payroll year-to-date amounts that print on cheque vouchers and pay slips; display in payroll reports; and determine annual limits for taxes, deductions, and additions.</li> </ul>
Affect liability and expense accounts but not the bank account	<p>You may want to choose this option at setup if you have never used a payroll liability account before, and you want a correct balance in the account.</p> <p>This option is also appropriate after you start using payroll if you need to adjust the amount owed for a payroll item.</p>	<ul style="list-style-type: none"> <li>Enters an increase in each liability account associated with a payroll item used for the period.</li> <li>Tracks an expense for each expense account associated with a payroll item used for the period.</li> <li>Enters a decrease in the Opening Bal Equity account for the net amount paid the employee during the period. (This adjustment keeps your books in balance.)</li> </ul>
Affect liability, expense, and bank accounts	<p>You are unlikely to want to choose this option at setup since it affects your bank account balance.</p>	<ul style="list-style-type: none"> <li>Enters a payment in the designated bank account for the net amount paid to the employee during the period.</li> <li>Enters an increase in each liability account associated with a payroll item used for the period.</li> <li>Tracks an expense for each expense account associated with a payroll item used for the period.</li> </ul>

## About earnings basis

An earnings basis is the total of an employee's earnings used to calculate payroll taxes. It's also called taxable income or, for NI purposes, insurable ("NI-able") earnings.

An employee's earnings base for payroll taxes is calculated in this way:

- First, it totals all salary, hourly wages, and commissions.
- Then it adds to gross those additions and employer contributions that affect gross and are subject to that specific tax.

- Finally, it subtracts from gross those deductions that are deducted prior to calculating that specific tax.

If the year-to-date total of an earnings basis exceeds the maximum annual earnings limit for this tax, the earnings basis equals the maximum earnings limit. If you entered amounts for earlier periods this year, QuickBooks counts the earnings basis from the earlier periods towards the maximum.



### To learn about...

Earnings bases

### Search the Help index for...

earnings basis

## Entering year-to-date summaries of liability payments

**Note:** Skip this section if your company has not made any payments for payroll taxes or liabilities incurred during this payroll year.

For this adjustment, you'll need to know how much you paid from the start of the payroll year (6<sup>th</sup> April) to your QuickBooks start date for each of the following:

- Each payroll tax (whether withheld from employees or paid as an employer expense).
- Each deduction you withheld and then paid (for example, for benefits such as an employee-paid dental plan).
- Each employer contribution you paid (for example, for benefits such as an employer-paid health plan).

This adjustment is just for your payroll liabilities and your expenses for employer-paid payroll withholding. It is not for other expenses related to or paid to employees (for example, salaries, wages, and bonuses).

Type the date you made the liability payment.

Item Name	Amount	Memo
Income Tax	6,087.19	
NIC Employee not c...	3,233.44	
NIC Employer	3,900.00	

Type the ending date of the period you are summarising.





## To learn about...

Entering YTD liability payments

## Search the Help index for...

year-to-date amounts, liability payments

## Making sure your payroll data is complete

Because QuickBooks bases new payroll transactions on existing data, it's very important that you enter all of your payroll data accurately. After setting up your payroll system and entering your year-to-date information, you should make sure that it is complete and correct.

Procedure	Comments	Search the Help index for...	✓
Review your Employee list.	The Employee list should include names of all employees on your payroll at any time during the current payroll year (even if they have left).	employees, reports about lists, printing	<input type="checkbox"/>
Review your Payroll Item list.	The Payroll Item list should list everything you need to track on a payroll payment.	payroll, reports about lists, printing	<input type="checkbox"/>
Review an employee contact list report.	The report should include National Insurance numbers, addresses, and phone numbers for all employees.	employees, reports about	<input type="checkbox"/>
Review your payroll summary for all employees for this entire payroll year.	You should be able to match the amounts for payroll items with the amounts for payroll accounts in the payroll report from your former accounting system.	employees, reports about	<input type="checkbox"/>
Review your payroll liabilities as of 6 <sup>th</sup> April of <b>this</b> year.	You should be able to match the amounts for payroll items with the amounts for payroll accounts in the liability report from your former accounting system.	payroll, reports about	<input type="checkbox"/>
Print a balance sheet as of 6 <sup>th</sup> April of <b>this</b> year.	It should match the balance sheet from your former accounting system as of 6 <sup>th</sup> April of this year.	balance sheet, reports	<input type="checkbox"/>
Print a balance sheet as of 6 <sup>th</sup> April of <b>last</b> year.	It should match the balance sheet from your former accounting system as of 6 <sup>th</sup> April of last year.	balance sheet, reports	<input type="checkbox"/>
Print a profit and loss statement for the entire payroll year.	It should match the profit and loss statement from your former accounting system for the entire payroll year.	profit and loss reports	<input type="checkbox"/>

# Managing payroll and employee information

As your business grows and changes, you will probably find it necessary to add or remove payroll items, hire (and sometimes release) employees, and track additional information about your payroll.

## Changing payroll item information

By default, the Payroll Item list is organised by payroll item type. Earnings items (for salaries, hourly pay, and commissions) are at the top of the list. To re-sort the list, click a column header.

Remember that you can use the same payroll item for many employees. For example, you can customise the amount or percentage of earnings payroll items in the setup window for each employee to allow for different rates of pay.

You can change the information for existing payroll items, although you probably do not want to change whether the item is subject to tax. You may want to change a payroll item, for example, because

- The annual limit for a deduction changes.
- Your accountant wants you to assign it to a different account.

If you've set up a payroll item properly, you likely won't need to change the way it affects taxes, even if you need to change other information. Also, you don't have to create different earnings and other non-tax items for each employee as you can customise amounts or percentages in his or her setup window.

You can't delete the payroll items for taxes and other government deductions that QuickBooks creates for you, but you can hide them if you don't use them.



### To learn about...

- changing payroll items
- hiding payroll items

### Search the Help index for...

- payroll items, editing
- payroll items, hiding

## How changes to payroll items affect QuickBooks

Changes you make to payroll items affect new payroll payments you create, and certain changes can also affect how past payments are classified historically on tax forms, reports, and payment details.

Employee information and existing payroll payments are affected when you change any of the following information for payroll items:

- Payroll item name.
- Account(s) assigned to it (liability or expense).
- Tax tracking type.

Changing the following information affects future payroll payments only:

- Whether it is calculated on Gross Pay or Net Pay.
- Payroll taxes affected (for additions to or deductions from gross pay).
- How the item is calculated on the payroll payment (for example, ticking or clearing the "Based on Quantity" option).



#### To learn about...

Changing payroll item information

#### Search the Help index for...

payroll items, editing

## Changing employee information

You can change an employee's personal or payroll information whenever necessary. The changes will affect all future payroll payments you create for him or her. Changes you make to an employee's name, address, and National Insurance number are also reflected in previously-written payroll payments, but do not affect any of the amounts on those payroll payments.

The following types of information must be changed individually for each affected employee. Changing the payroll item doesn't affect the employees who use it.

- Annual limits for a deduction.
- Rate or amount changes for a deduction, addition or employer contribution.

**Note:** Change the information in the employee defaults first. In many cases, QuickBooks asks if you want to also change the information for all matching employees.

QuickBooks also provides a notepad with which you can make notes about an employee.



#### To learn about...

Changing employee information

Adding custom fields

Giving an employee a rise

#### Search the Help index for...

employees, editing  
employees, retrospective changes

employees, custom fields for

employees, rises for

## When an employee leaves

When an employee leaves the company, you need to first issue his or her final payroll payment and then add a leaving date to his or her profile.

**Tip:** It's a good idea to enter a leaving date for an employee only after you have created his or her final payroll payment. In order to print a P45, however, a leaving date must be entered. When the pay period date is later than the leaving date, QuickBooks no longer displays the employee's name in the Select Employees to Pay window.

You can't delete an employee who has left if there are transactions associated with him or her. You can, however, hide the employee's name from the Employee list.

### Printing P45 forms

If an employee leaves your company (referred to as a leaver), QuickBooks can generate a P45 form and print it for you to give to the leaver.

To create a P45 form:

- 1 Issue the employee's final payroll payment.
- 2 In the Employee's profile, enter a left or leaving date in the Left field.
- 3 Load the pages of the P45 form into your printer. If you have trouble aligning the P45 form in your printer, see "Solving printing problems" on page 116.
- 4 From the **Employee** menu, select **P45 for leavers**.
- 5 From the drop-down list, select the employee that is leaving, and click **Print P45** to start the printing process.

## Hiding, showing, or merging employees

You can't delete an employee who has existing payroll transactions. Instead, you can hide an employee on the Employee list by making the employee inactive.

When you make an employee inactive, QuickBooks keeps the information for the employee but hides the employee's name on the Employee list and removes it from most drop-down lists that references employees. However, the employee's payroll figures still appear on payroll reports. You do not need to change or delete any transaction that references the employee. You can make an employee active again at any time.

If the same employee appears in your Employee list twice, you can merge the two names if there are no payroll transactions for either instance. Merging employees is not reversible.



### To learn about...

Making employees inactive, hiding them, or showing them

Merging employee names

Deleting an unused employee

### Search the Help index for...

employees, hiding and showing

employees, merging two names

employees, deleting

## Contacting your employees by mail

You can use your QuickBooks data in conjunction with prewritten Microsoft Word letters to mail your employees notices about such matters as accrued holiday and sick time. Go to the Company menu and select Write Letters.



### To learn about...

Using your QuickBooks data with Microsoft Word letters

### Search the Help index for...

letters using QuickBooks data in Microsoft Word

# Paying employees

**Note:** Before you begin creating payroll payments, be sure that your payroll system is set up completely and correctly (see page 165). Also, go online to receive the latest payroll update, which includes the most current tax table or install it from CD-ROM (if you received one).

## Selecting employees to pay

To select which employees you want to pay:

- From the Employees menu, choose **Pay Employees**.

If you enter hours worked, commission basis, sick or holiday time, or other variations from pay period to pay period, select this option.

If all your employees are salaried and receive a standard payroll payment for this pay period, select this option.

If you print cheques, tick this check box.

If paying employee by BACS, clear the 'To be printed' check box and specify the BACS agency.

The Payment Date selected here determines the date of the payment and the date the employee receives their payment.

If you have many employees, you can sort them by payment method and by payment frequency.

QuickBooks creates a payment for each employee you select. You can sort the list by either the employee's first or last name, according to the setting in Payroll and Employee Preferences.

When you create a payment, the date changes to the latest pay period end date for the employee.

Employee	Pay Method	Pay Frequency	Rate	Hours	Last Date
Andrew G Turner	BACS	Monthly	1,833.33		02/28/2...
Charlie S Walker	BACS	Monthly	4.00	74.00	02/28/2...
Gemma T Curtis	BACS	Monthly	1,000.00		02/28/2...
James E MacD...	BACS	Monthly	1,500.00		02/28/2...

When you've selected the employees you want to pay, click **Create** to display payment information for the first employee.

**Tip:** You can pay employees in groups. For example, first select your salaried employees, whose payments you don't need to review, and tick the "Create payment without preview" checkbox. Then click Create. Next select your hourly employees and the "Enter hours and preview" option, then click Create. The payment of the hourly employees appears so you can enter their hours worked.

## Previewing, adjusting, and creating payroll payments

When you select the **Enter hours and preview payment before creating** option in the **Select Employees To Pay** window, then click **Create**, QuickBooks opens the **Preview Payroll Payment** window.

If the employee is paid by the hour, type or edit the number of hours worked for each rate.

(QuickBooks Pro fills in the hours either from time data or from the last payroll payment.)

If this is a bonus or commission cheque, you likely don't want sick or holiday time to accrue for it.

To prevent sick and holiday time from accruing for this payment only, tick this box.

Tick the **Advanced Hol. Payment** check box to display the **Advance Holiday Payment** window, if the employee requests that you advance holiday pay to him or her before taking a holiday. See **Overview of advance holiday payments** in the online Help for details.

This box will be active if the employee is a director. Check it to make this director's NIC calculations on the annual (or pro-rata annual) method instead of per period, or for the last payroll payment of the year.

If the employee is paid on salary, you can enter hours if you want to split the salary amount between jobs.

If a bonus, addition, deduction, or employer contribution is based on a quantity, enter it here.

The **Employer Summary** shows employer-paid taxes and contributions that do not directly affect the amount of the payment.

**Preview Payment** window for **Andrew G Turner**. The window displays the following sections:

- Earnings:** A table with columns Item Name, Rate, and Hours. It shows a Salary entry with a Rate of 1,833.33.
- Other Payroll Items:** A table with columns Item Name, Rate, and Quantity. It shows a Bonus entry with a Rate of 500.00.
- Employer Summary:** A table with columns Item Name, Amount, and YTD. It shows NIC Employer (249.39), NIC Employer Rebate (0.00), and NIC Employer Rebate(ER) (0.00).
- Employee Summary:** A table with columns Item Name, Amount, and YTD. It shows Salary (1,833.33), Bonus (500.00), NIC Employee not contracted... (-214.32), Income Tax (0.00), and NIC Employee Rebate (0.00).
- Advanced Hol. Payment:** A checkbox that is currently unchecked.
- Use NIC Annual Calc. Method:** A checkbox that is currently unchecked.
- Cheque Amount:** A field showing the total amount of 2,119.01.

The **Employee Summary** shows wages, commissions, withheld taxes, and other additions and deductions that print on the voucher of the cheque or pay slip.

The net payment total.

In the **Preview Payroll Payment** window, you can do all of the following:

- View the amounts QuickBooks calculated for each payroll item (including gross earnings, taxes, and all other additions, deductions, and employer contributions) for the payment.

- Type or edit the number of hours worked.
- Enter sick or holiday time, or prevent these from accruing (on this payment only).
- If you are not printing a payroll cheque, you can enter a payment number.
- Enter the base quantity on which to calculate commissions, additions, deductions, or employer contributions that are based on quantity.
- Add or delete wage, commission, addition, deduction, or employer contribution payroll items.
- Pay employees' Advance Holiday Payments.

**Note:** To suppress the payment of regular salary on a bonus payment, delete the salary item in the Preview Payroll Payment window. (Select it and press **CTRL+DEL**.)

- Edit the amount for any payroll item.

When QuickBooks creates a payroll payment, it does the following:

- Updates the pay period end date of the last payment written for the employee, and removes the tick mark in the Select Employees to Pay window.
- Creates a payroll payment (a cheque or pay slip) for your employee for the net amount, showing the deductions.
- If paying via BACS, creates an export file to send to the BACS agency.
- Increases or decreases the employee's accrued sick and holiday time by the amount entered for the payroll payment.

If you ticked the **Do not accrue time** check box in the Preview Payment window, you prevent the sick and holiday time from accruing for this payment only.

- Updates year-to-date balances for the employee.
- Draws the amount of the payment from the bank account you chose (usually your current account).
- Records an increase in each affected liability account, showing the extra liability resulting from the payroll transaction (for both the employee's payroll deductions and employer contributions).
- Updates and tracks your payroll expenses in expense accounts.
- Updates any other accounts you have assigned to any payroll items used in the payroll transaction.



#### To learn about...

Previewing and adjusting payroll payments

#### Search the Help index for...

payroll payments, checking amounts in



# Reviewing and correcting payroll payments

After you've recorded a payroll payment, you can review it at any time.

## Reviewing a payroll payment

- 1 From the Lists menu, choose Chart of Accounts.
- 2 Select the current account you use to create the payroll payments.
- 3 Click the Activities button (at the bottom of the Chart of Accounts window), then choose Use Register.
- 4 Locate the payment in the register.
  - Pay cheques have PAY CHQ in the Type field.
  - BACS supercheques have PAYROLL in the Type field.
- 5 Select the payment, then go to the Edit menu and...
  - if paying by cheque, select Edit Pay Cheque.
  - if paying by BACS, select Edit Payroll Cheque. A BACS supercheque appears listing all employees that were paid with this payment. Click the View Payments button.
- 6 QuickBooks displays the Payment window. This window is similar to the Write Cheques and Bill Payments windows but has a Summary section instead of a voucher. If viewing a BACS payment, you may have to click Previous/Next to scroll to the payment of the employee you want to view.

Window

Pay Cheque - Natwest Current Account

Bank Account: Barclays Current Account Ending Balance: 15,288.05

No. To Print: 1  
Date: 31/03/2000  
£ 1,709.83

Pay to the Order of: Carol L. Walker  
One thousand seven hundred nine and 83/100\*\*\*\*\* Dollars

Address: Carol L. Walker  
The Old Barn  
Little Hampdon  
Iwer, SL8 6YT

Memo:

Payment Summary ☒ To be printed

Earnings	1,833.33	Pay Period	01/03/2000 - 31/03/2000
Additions	500.00	Hours Worked	0:00
Taxes	-623.50		
Deductions	0.00		

Payment Detail...

Save & Close Save & New Revert

The Payment Summary section summarises earnings, additions, taxes withheld, and deductions.

It also displays the pay period end date and the hours worked.

Click **Payment Detail** to see more detail or to edit the payment.

- 7 (Optional) Change the cheque number, memo, address, or the "To be printed" status directly in this window.
- 8 (Optional) Click Payment Detail.

QuickBooks displays the Review Payment window. Here, you can make any necessary corrections. When you finish, click OK.

**Note:** To ensure the accuracy of subsequent tax calculations, **you cannot change certain things**. On payroll payments, you cannot edit the payment date, amount, payee, or Advance Holiday Payment (you can't edit the Advance Holiday Payment at all). To do so, you must delete and re-enter the payment, as well as any subsequent payments to the employee. On BACS supercheques, you cannot edit the payment date.

- 9 To print a copy of the payment, click Print. You can print pay slips to provide your employees with the details of the payment (see “Printing payroll cheques and pay slips” on page 203).

Deleting or voiding a payment

You cannot void BACS payment cheques. Instead, you must delete and (if necessary) re-enter them. However, with the exception of the last payroll payment of the previous payroll year(s) you can only edit, delete or void the last payroll payment that you issued. You may want to do so if:

- a payroll cheque mis-printed and you need to re-print it, but also need to account for all the cheque numbers used.
- an employee’s payroll cheque is lost or stolen, and you need to reissue it.
- there was an error in a recent payroll cheque that your employee has not yet cashed.
- you need to make a retrospective change of information (for example, retrospectively correct a date of birth, marital status, NI code or Tax Code.)

**Note:** If you submit payroll tax forms for the period covering a payroll payment, then void the payment, you may have to re-submit your forms.

You may want to delete a payroll payment if it is a duplicate that has not been printed yet.

Retrospective changes

If you have been notified of a change or correction to be made in your information for an employee or director which affects NI or PAYE codes and that change became effective in a pay period for which you have already issued a payroll payment (whether by cheque or BACS deposit), you can make the change and QuickBooks automatically updates your payroll calculations. See Help index for detailed instructions.



To learn about...

- Editing existing payroll payments
- Voiding payroll cheques
- Deleting payroll payments
- Dealing with problems caused by retrospective changes of employee information

Search the Help index for...

- payroll payments, changing
- payroll cheques, voiding
- payroll payments, deleting
- employee, retrospective changes

# Printing payroll cheques and pay slips

You can print all your payroll cheques at one time, but you must print them separately from other cheques. Set up your printer for payroll cheques the same way as for other cheques in QuickBooks.

**Tip:** For information about aligning payroll cheques or pay slips, see “Solving printing problems” on page 116.

If you don't print payroll cheques with vouchers (e.g. if you pay through BACS or Giro), you can print pay slips for your employees instead, from the same screen (the Select Employee to Pay window). Like payroll cheques, pay slips provide all required legal information, including:

- Employee's full name, address, and National Insurance number
- Pay period start and end dates
- Salary or hourly rate and hours, and gross pay for the pay period
- Deductions from and additions to the gross pay, including income tax withholding or exemptions
- Net pay
- Accrued sick and holiday time used and available, if you have chosen to print them in the Payroll & Employees preferences
- Payroll year-to-date amounts for all items used to calculate payroll payments in the current payroll year
- Current NI and tax codes

To select what information appears in voucher payroll cheques and full-page pay slips, click the **Printing Preferences** button in the **Payroll & Employees** preferences (from the **Edit** menu, select **Preferences**, select **Payroll & Employees** from the options on the left, and click the Company Preferences tab).



To learn about...	Search the Help index for...
Printing payroll cheques	payroll cheques, printing
Printing pay slips	pay slips

## Using BACS to pay employees

When used in conjunction with specialist BACS software, QuickBooks can send bill and payroll payments to UK banks. On receipt of this information, banks transfer the funds from your bank account then distributes it to your suppliers and employee's bank accounts.

QuickBooks offers two BACS services:

- QuickBooks e-Payment Solutions: a subscription based Web service available from Intuit that is seamlessly integrated with QuickBooks (for more information on this service, open the Resource Area)

- You can also create an export file that can be read by any 3rd party BACS software. You will need to purchase this software separately as it is not available from Intuit.

To configure QuickBooks for BACS payments:

- 1 From the Edit menu, choose Preferences, then Banking. Click the Company Preferences tab.
- 2 Select from the following:
  - If you are using QuickBooks e-Payment Solutions, select **I am signed up for e-Payment Solutions**; or
  - If using a 3rd party software to distribute your BACS payments, select **Create BACS export files**.
- 3 Enter BACS User Number and choose the location where you want the export files to be saved.
- 4 For each bank account you want to use to distribute BACS payments:
  - Open the account. From the Company menu, select Chart of Accounts. Highlight the account you want to edit, and from the Accounts menu button, select Edit.
  - Click the BACS Information tab and add the account name, sort code and account number.
- 5 For each employee being paid with a BACS payment:
  - Open the employee record. From the Employees menu, select Employee List. Highlight the employee you want to edit, and from the Employee menu button, select Edit.
  - Select the Payroll and Compensation Info tab, click Bank Details, then enter the employee's account name, sort code and account number.
- 6 For each supplier being paid with a BACS payment:
  - Open the supplier record. From the Suppliers menu, select Suppliers List. Highlight the supplier you want to edit, and from the Supplier menu button, select Edit.
  - Click the BACS Information tab and add the supplier's account name, sort code and account number.

When paying suppliers and/or employees by BACS, QuickBooks creates export files that contains the amounts and account details needed for successful transfer of funds. These files are saved to a location on your computer that you specify in the Preferences section of QuickBooks. When you pay with BACS, you must send these files to the BACS software where they can be reviewed and approved for payment.

# Paying payroll liabilities

When it's time to pay your payroll liabilities, QuickBooks shows you how much you owe and to whom, lets you choose which liabilities you want to pay, and creates cheques for you. It also helps you fill in the forms you need to send in with your payments.

Step	Procedure
1	To see how much you owe, to whom, and for what, create a Payroll Liability Balances report. If you qualify for SER and paid out statutory payments, you also need to create a Statutory Payments Detail report. See Determining how much to remit to the HM Revenue & Customs for more information on creating these reports.
2	Adjust the amounts you owe, if necessary. (It usually isn't!)
3	Create cheques for the amounts you owe by using the Pay Liabilities window.
4	Fill in a P32 report, and prepare your P30 slip to send to HM Revenue & Customs along with your payment.

## Determining how much to remit to the HM Revenue & Customs

To determine the amount you must remit each month to HM Revenue & Customs, you must complete a P32 (Employer's Summary) report. Use the Payroll Liability Balances report to help fill out your P32 and P30 forms. This report provides a summary of all the payroll liabilities you will be remitting for a given reporting period.



If you made any statutory payments to your employees in a given tax period, you must first create a Statutory Payments Detail report before you create a Payroll Liability Balances report.

For more information on creating a Statutory Payments Detail report, see page 206.

To create a Payroll Liability Balances report:

- 1 From the Reports menu, choose Employees & Payroll, then choose Payroll Liability Balances.  
You will see all the payroll items including Income Tax and National Insurance contributions.
- 2 Make sure the date range accurately reflects the tax period for which you are remitting. (You should print this report for your records.)

If you made any statutory payments to your employees in a given tax period, you must create a Statutory Payments Detail report before you create the Payroll

**Liability Balances report.** The Statutory Payments Detail report shows a breakdown of the statutory recovery amounts and NIC compensation amounts.

To create a Statutory Payments Detail report:

- 1 From the Reports menu, choose Employees & Payroll, then choose Statutory Payments Detail.  
You will see all the statutory payroll items including recovery amounts and NIC compensation (if entitled to SER).
- 2 Make sure the date range accurately reflects the tax period for which you are remitting. (You should print this report for your records.)

## Adjusting a payroll liability

In rare cases, you may find that the amount for a payroll item tracking a liability doesn't match what is actually owed.

- 1 From the **Employees** menu, choose **Process Payroll Liabilities**, then **Adjust Payroll Liabilities**.

Enter the date you want this adjustment to affect your payroll liability account.

Select a payroll item to adjust.

Item Name	Amount	Memo
Income Tax	25.00	adj due to rounding...

Enter the amount of the adjustment. A positive amount increases what you owe. A negative amount reduces what you owe.

For example, if the Liability by Payroll Item report says that you owe £450 but you know you owe £475, enter the difference: 25.

- 2 (Optional) Click **Accounts Affected** to select how the adjustment will affect your accounts.
  - If your liability and expense accounts have the wrong totals as well as your liabilities (the usual case), you should choose to affect your accounts.
  - If your liabilities are wrong but your liability and expense accounts have the correct totals, choose to **not** affect your accounts.
- 3 Click **OK**.
- 4 If you chose to affect your liability and expense accounts and you adjusted an amount withheld from payroll payments, you need to adjust an expense account to offset the change in your liability account. Type the name of the expense account you want to affect, then click **OK**. (Most people choose Payroll Expenses.)



## Creating a cheque to pay payroll liabilities

Most companies need to remit payment by the 19<sup>th</sup> of the month for the previous month's deductions. Check with HM Revenue & Customs to see what's right for your business. You may want to set up reminder notes for yourself using the To Do Notes feature.



Always use the Pay Liabilities window to write cheques for your payroll (and other) liabilities.

Do not use the Write Cheques window! If you do, QuickBooks does not update your payroll liability accounts, and your payroll reports will not be accurate.

To pay your payroll liabilities:

- 1 From the **Employees** menu, choose **Process Payroll Liabilities**, then **Pay Payroll Liabilities**.
- 2 In the Through date field, enter the last day of the tax period for which you are paying your liabilities (this is the 5<sup>th</sup> of the following month), and click **OK**. *You do not need to change the date in the From field. Even though it is set to April 6<sup>th</sup> (the beginning of the tax year), QuickBooks knows to only include your outstanding payroll liabilities for the current tax period for which you are paying.*
- 3 If you are qualify for Small Employer's Relief, tick the "... Small Employers Relief" check box, then click **OK**. QuickBooks will make a statutory payment recovery adjustment that reduces your total liability amount if statutory payments were made during the tax period for which you are remitting a payment.
- 4 In the Pay Liabilities window, mark the payroll item liabilities you want to pay now and select options for the cheque. Use the information on this window to fill in your P30 pay slip.
  - Before you can pay a liability, you must have a payee entered in the payroll item's Payable To field. If you don't have one, you'll be asked to add one here.
  - Certain liabilities can be selected and paid only as a group, such as National Insurance.
- 5 Select whether you want to review the cheque(s), then click **Create**.
  - After you create a cheque, the Payroll Liabilities report shows a decrease in the amount you owe to reflect the payment. However, other reports may show the amount you owed for the period regardless of payments you've made.
- 6 Send your payment and the pay slip to your Accounts Office.

QuickBooks displays this date on the liability cheque as the "paid through" date.

If you use QuickBooks to print cheques, tick this check box.

If you write cheques by hand, clear it.

This is the date the transaction affects your bank account.

Mark the liabilities you want to pay. QuickBooks creates one cheque per payee, not one cheque per liability.

To add a name that's missing in the Payable To column of this window, edit the payroll item.

Click Report to generate a Payroll Liabilities report for the specified period.

If you want, you can change the amount you're paying in this column.

Tick this check box to show all payroll liabilities for the period, including any credits and zero amounts.



## To learn about...

Paying payroll liabilities

Adding an agency name missing in the Payable To column

Creating a report that shows your payroll liabilities

Entering a discount for payroll liabilities

Entering a penalty or fine for payroll liabilities

Entering a refund cheque for overpayment of payroll liabilities

## Search the Help index for...

payroll liabilities, paying

payroll items, editing

payroll, reports about

payroll liabilities, discounts

payroll liabilities, penalties

payroll liabilities, refund cheque



## Tracking and paying Class 1A NIC

If you provide a car to an employee for private use (usually in addition to business use), HM Revenue & Customs collects from you a percentage of the value of this benefit. At the end of the payroll year, you must calculate and remit to HM Revenue & Customs the amount you owe.

Before you can do so, you should have the following accounts set up in your Chart of Accounts:

- a Payroll Expense account of type “Expense”
- a Class 1A Owed account of type “Other Current Liability.”

To enter your Class 1A NIC liability:

- 1 From the **Banking** menu, choose **Make Journal Entry**.
- 2 In the first detail line of the entry:
  - Select your payroll expense account in the Account column.
  - Enter the amount of Class 1A NIC owing in the Debit column. Enter a memo for this transaction (e.g., Class 1A NIC) in the Memo column.
- 3 In the second detail line of the entry:
  - Select your Class 1A NIC liability account in the Account column.
  - Enter the amount of the Class 1A NIC that you owe in the Credit column.
  - Enter a memo for this transaction (e.g., Class 1A NIC) in the Memo column.
- 4 Click **OK** to record your transaction.

# Processing your year end

Near the end of the payroll year, you need to create year-end payroll forms for your employees and HM Revenue & Customs such as P11, P14/P60, and P35 forms. With QuickBooks, you can send P14s and a P35 to the HM Revenue & Customs using the Internet.

Step	Procedure
1	If you have not received your employer's form pack, order blank portrait-format P14/P60 forms from the HM Revenue & Customs or Intuit.
2	Consult your accountant or HM Revenue & Customs guidelines about reporting employee benefits and any items or amounts about which you are uncertain.
3	Print a P11 report for each of your employees for your reference (see "Creating a P11 (Deductions Working Sheet) report" below).
4	Create and review a P14 for each employee who worked for you during the tax year, and print a P60 for each employee who is still working for you at the end of the tax year. See "Completing your payroll year-end forms" on page 212. QuickBooks can only print on portrait-format forms.
5	Enter any annual calculations you need to make, including directors' end of year reassessments.
6	Test the printing alignment by printing a sample form, and make any adjustments that are necessary (see "Solving printing problems" on page 116 if you have trouble).
7	Print the forms (see "Printing P14/P60 forms" below).
8	Distribute the P60 section of the printed forms to employees and file your office copies. If you are filing a paper return, send HM Revenue & Customs the P14s.
9	Review P35 data (see "Completing your payroll year-end forms" on page 212).
10	Print a P35 summary report for your files.
11	Complete the Checklist and Employer Declaration.
12	QuickBooks can now submit your End of Year P14 and P35 forms online to HM Revenue & Customs (see "Filing your payroll year-end online" on page 219). If you are not filing online, use the data in your printed P35 to fill in a paper form.

## Creating a P11 (Deductions Working Sheet) report

QuickBooks can create and print the P11 Deductions Working Sheet, which you print at the end of the payroll year and retain for your records.

You may need to provide this document during an audit, and you may also wish to print it part way through the year as a reference guide.

The P11 is a special report, and as such, cannot be customised like other reports.

- 1 From the **Employees** menu, choose **P11 Working Sheet**.
- 2 Select the employee for whom you are printing the P11 from the drop-down list.
- 3 Click **OK**.
- 4 Click **Print** (on the report button bar) to print the P11.

To print all the pages in the P11 (it has been separated out into four pages for on-screen viewing), you must click the Options tab in the Print window, then tick the Print all linked documents box. Alternatively, you can view each page by clicking the links at the top and bottom of a page, and print each page as required.

☒ Print all linked documents

The screenshot displays the 'Deductions Working Sheet P11 Year to 5 April 2003' report. At the top, there are tabs for 'NIC Details', 'P11 Details', 'NIC Summary', and 'P11 Summary'. The 'NIC Details' tab is active, showing employee information for 'Premier Ltd' and 'TOWNSEND, JULIE'. Below this, a table titled 'National Insurance contributions' lists earnings and contributions for various tax periods. The table has columns for 'Tax Period', 'Type', 'Earnings at the LEL', 'Earnings above the LEL up to and including the ET', 'Earnings above the ET up to and including the UEL', 'Total of employee's and employer's contributions payable to HMRC', 'Employee's NIC payable on earnings in the tax period', 'Employer's NIC payable on earnings in the tax period', 'Employee's NIC payable on earnings in the tax period', 'Statutory Sick Pay paid to employees in the tax period', 'Statutory Maternity Pay paid to employees in the tax period', and 'Student Loan Deductions in the tax period'. The 'Totals' row shows the aggregate values for each category. At the bottom, there are links to 'NIC Details', 'P11 Details', 'NIC Summary', and 'P11 Summary'. A legend at the bottom left explains the abbreviations used in the report.

Employee's name: Premier Ltd  
Surname: TOWNSEND  
First two forenames: JULIE  
In office and SR-PAYE ref.:  
Tax code: 453L

National Insurance number: JN 21 90 01 B  
Date of birth: 11/11/1974  
Weeks paid in: 416  
Date of starting: 01/04/1999  
Date of leaving:  
Student Loan Deductions (in £)

National Insurance contributions

Note: LEL = Lower Earnings Limit, ET = Earnings Threshold, UEL = Upper Earnings Limit

Earnings details		Contributions details		NIC details		Statutory Sick Pay		Statutory Maternity Pay		Student Loan Deductions	
Tax Period	Type	Earnings at the LEL	Earnings above the LEL up to and including the ET	Earnings above the ET up to and including the UEL	Total of employee's and employer's contributions payable to HMRC	Employee's NIC payable on earnings in the tax period	Employer's NIC payable on earnings in the tax period	Employee's NIC payable on earnings in the tax period	Statutory Sick Pay paid to employees in the tax period	Statutory Maternity Pay paid to employees in the tax period	Student Loan Deductions in the tax period
6	VPS	80.00	360.00	360.00	817.00	0.00	0.00	0.00	0.00	0.00	0.00
7	026	80.00	810.00	810.00	134.07	81.80	0.00	0.00	0.00	0.00	0.00
8	026	80.00	810.00	810.00	134.07	81.80	0.00	0.00	0.00	0.00	0.00
9	026	80.00	810.00	810.00	134.07	81.80	0.00	0.00	0.00	0.00	0.00
10	026	80.00	810.00	810.00	134.07	81.80	0.00	0.00	0.00	0.00	0.00
11	026	80.00	810.00	810.00	134.07	81.80	0.00	0.00	0.00	0.00	0.00
<b>Totals:</b>						0.00	0.00	0.00	0.00	0.00	0.00

Legend: Short = Regular payroll payment, HGL = Holiday payment, ADJ = Liability adjustment, VPS = Year to date adjustment, PE = Previous Employment

To see other pages of the P11, click these links.

Select the tax year of the P11 you want to see.

## Completing your payroll year-end forms

After 6 April, you need to create P14/P60 and P35 forms for the last payroll year, which are due by 19 May. You can now file your payroll end of year forms online with QuickBooks. To begin, go to the **Employees** menu and choose **Process Payroll Year End...**

On the **Payroll Year End Process** window, you can create and review P14/P60 forms, review data for the P35 form, complete a checklist/employer's declaration, and print the P35 form. If you or your accountant or tax preparer are connected to the Internet, you can then submit your end of year reports to HM Revenue & Customs. If not, you must transfer the data to a paper P35 form.

Choose the previous payroll year, which is the year for which you are preparing your End of Year reports.

Select the names for which you want to process forms.

You can select specific employees or tick the Mark All button to select everyone on the list.

This indicates what you have done so far in the payroll end of year process and what you need to do next.

Employee	NI No.	Reviewed	Printed
Gemma T Curtis	3A 21 90 01 B		
Lynda J Hamilton	AB 12 94 29 D		
James E MacDonald	KT 52 16 67 D		
Andrew G Turner	LA 59 57 09 C		
Charlie S Walker	PH 61 91 01 C		

Ticks appear in these columns as you review and print employees' P14/P60 forms.

The End of Year process must be done sequentially. If you select a step out of sequence, you're warned that you haven't completed the previous step. Specifically, the File Online button remains unavailable until you have completed all necessary steps.

New legislation states that payroll End of Year forms (P14 and P35) must be submitted online. The date on which you must comply depends on the number of employees you have. Small employers who choose this option early are eligible for financial incentives. Complete information on filing online, including incentives, schedules, deadlines and how to register, is available from HM Revenue & Customs.

**Registering takes time, so begin this process well before the deadline!**

**Note:** If you began using QuickBooks to manage your payroll during this payroll year and you entered year-to-date information for any employees, make sure that the YTD entries are complete before going on.

## Creating and reviewing P14/P60 forms

You must create a P14 form for HM Revenue & Customs for all employees who worked for you in the year, and P60 form for each employee who is still with you as of the end of the payroll year (5th April).

QuickBooks can now send your P14 and P35 forms through the Internet.

**Note:** If you choose the filing online feature for the P35 and P14s, the P14s for **ALL** your employees will be sent at once. In the current implementation of QuickBooks you can only file **once**. You cannot file in batches or by selecting individual forms, and you cannot file your P14s without filing your P35. Only send your forms when you have reviewed them all for accuracy.

- 1 From the **Employees** menu, choose **Process Payroll Year End**.  
QuickBooks displays a list of all employees you paid during the year.
- 2 Select the correct payroll year from the drop-down list.
- 3 Select the employees whose P14/P60 forms you plan to review now.
  - To mark (or clear) an employee, click in the ✓ (tick mark) column next to the name.
  - (Optional) To include only certain employees, tick only the names you want.
- 4 Click **Review P14/P60s**.
- 5 Carefully review each employee's form.
- 6 To correct employer or employee information, click **Cancel** and make the changes in the following places:
  - To correct or enter the name, address, or other information about the employer (that is, your company), select **Company Information** from the Company menu.
  - To correct or enter the employee's name, address, or National Insurance number, select **Employee List** from the Employee menu, then double-click the employee to edit.
  - To correct tax office name or numbers, go to the Edit menu, select **Preferences**, then select Payroll & Employees.
- 7 To change the amounts in any of the boxes, double-click it to open the adjustment window, then enter the adjustment. Consult with your accountant before modifying any amounts on the P14/P60 forms!
  - (Optional) Type a description to as a reminder of what the adjustment is.
  - Type the amount, then click **OK**.

**Note:** QuickBooks adds the adjustment to the amount shown, then shows the new total. To reduce the total, put a minus sign before the amount.

- 8 To approve the form (with changes, if any), click **Next**.
- 9 Repeat Steps 5 through 8 for the remaining marked employees.
- 10 On the last form, click **OK**.

## Printing P14/P60 forms

QuickBooks prints P14/P60 information for employees on laser, portrait-style P14/P60 form blanks only. You can order blank P14 End of Year Summary forms and P60 End of Year Certificates from HM Revenue & Customs or from Intuit (visit <[www.QuickBooksStationery.co.uk](http://www.QuickBooksStationery.co.uk)> or ring us).

**Note:** You must review the P14/P60 forms before you can print them.

- 1 Load the forms into your printer.
  - You must use a page-oriented printer such as a laser or inkjet printer.
  - Do not collate the forms. Instead, start by loading all the P14 (NI copy) forms. When you have printed them, load and print the P14 (Tax copy) forms. Finally, load and print the P60 forms.
- 2 Before you print forms, test that your printer prints them correctly, and if not, make necessary adjustments (see “Solving printing problems” on page 116).
- 3 Print the forms:
  - a) Confirm that the employees whose forms you want to print are selected and that the correct payroll year is showing.
  - b) Click **Print P14/P60 forms**.
  - c) In the Print P60s window, select the correct style of form and change your other printer settings as required.
  - d) Click **Print**.
  - e) Load the next set of forms, select the correct type of form, and click Print P60s again until you have printed all the copies you need.
  - f) Note: If you ordered forms from HM Revenue & Customs, photocopy either the PAYE or NI copy of all P14 forms for your records.
- 4 Distribute the forms:
  - Usually, HM Revenue & Customs receives the P14 sections and the employee receives the P60 section.

**Note:** If amounts appear to be incorrect or missing on your P14/P60 forms, check the alignment of the forms in the printer. If the alignment is not the problem, check that your payroll items are set up correctly for P14/P60 tracking.

## Reviewing the P35 form

After you print your P14/P60 forms, you also need to review and print a P35 to summarise the individual P14/P60 forms. QuickBooks calculates the amounts for the P35 by adding up the amounts on the all of the P14/P60 forms. It is important to remember that, while you can adjust and reprint these forms before you file online, **you can only file online once (successfully)**. Once you successfully file your return online, adjustments will have to be made manually and submitted on paper forms to HM Revenue & Customs.

That is why you need to take this opportunity to carefully review all the data in your P35 form.

- 1 If you are not already in the Payroll Year End window, from the **Employees** menu, choose **Process Payroll Year End**. Otherwise, click **Review P35**.
- 2 Review the four tabs of the **Review P35** window, which mimic Part 1 and Part 2 of the paper P35 form. Click **How Do I** in the Payroll Year End Process window for more information about preparing your forms.

### Employee Summary tab

Employee Name	NI Contributions (NICs)	Income Tax
Gemma T Curtis	1,487.35	1,293.38
Lyndia J Hamilton	2,088.85	1,898.38
James E MacDonald	2,689.35	2,503.38
*Andrew G Turner	5,010.29	4,066.26
Charlie S Walker	215.35	157.14
Totals	11,491.19	9,918.54

All employees and directors for whom you issued a P11 should be listed here.

The amounts in the NI Contributions and Income Tax columns are from the payroll data entered in QuickBooks. If the amounts are incorrect, click Cancel, then review your payroll data and review the P14/P60s again.

If you are filing online, the Employee Summary will be automatically fitted to the P35 form. If you are still filing a paper return, Part 1 of the HM Revenue & Customs paper P35 form has only ten lines for employees and directors. If you have more than ten employees in your PAYE scheme, list the rest on a Continuation Sheet (paper form P35(CS)). You will find summary amounts on Working Sheet 1 for both the P35 Part 1 and P35(CS). Filing online eliminates the need for the P35(CS).

**Note:** Comprehensive help topics exist in QuickBooks to guide you if you need to change the amount showing for an employee's NICs or income tax deducted.

## Working Sheet 1 tab

QuickBooks automatically combines the data for all the employees in your PAYE scheme. If you are filing online, totals are done automatically and will appear in this window in greyed-out boxes equivalent to those on the paper form. If you are filing a paper P35, transfer the amount in Boxes 1 through 6 to the corresponding boxes of Part 1 on the paper form.

The amount in Box 1 is the sum of NI Contributions for those first ten employees and directors on your list.

The amount in Box 2 is the sum of National Insurance Contributions for the employees and directors on the P35(CS).

The same split is observed for Income Tax in Boxes 4 and 5

**P35 Data**

Employee Summary | **Working Sheet 1** | Working Sheet 2 | Working Sheet 3

Important: You should modify the data in each box as required.

NICs		Income Tax	
Total NICs from Part 1	11,491.19 1	Total Tax from Part 1	9,918.54 4
Total from P35(CS) Continuation Sheet	0.00 2	Total from P35(CS) Continuation Sheet	0.00 5
Total NICs 1 + 2	11,491.19 3	Total Tax 4 + 5	9,918.54 6
		Advance from IR to refund tax	0.00 7
		Deductions made from subcontractors	0.00 8
		Total Tax 6 + 7 + 8	9,918.54 9

Combined Amounts	
Total NICs and Tax 3 + 9	21,409.72 10
Total Student Loan deductions	0.00 11
10 + 11	21,409.72 12

If the amounts showing for Total NICs from Part 1 (Box 1), Totals from P35(CS) (Box 2), Total Tax from Part 1 (Box 4) or Income Tax Totals from P35(CS) (Box 5) are not correct, review your payroll data and P14/P60s again.

If you received an advance from HM Revenue & Customs to refund tax, enter the amount in Box 7. In Box 8, enter the amount from Box F or your Contractor's Annual Return CIS36, if applicable.

Box 11 shows the sum of Student Loan Deductions this year.

**Note:** Remember, you can adjust and reprint these forms before you file online, but using QuickBooks you can only file online once. Once you file online, amendments will have to be made manually and submitted on paper forms to HM Revenue & Customs.



## Working Sheet 2 tab

Add data to each box if required.

**IMPORTANT:** If you adjust these figures, you will have to make a manual adjustment to the NICs and Tax Paid figure in Box 29 (on next tab, Working Sheet 3). Also, if you received advance funding from HM Revenue & Customs to pay statutory payments, include the amount received in Box 22.

Click Help for comprehensive instructions on how to make sure that the amounts in Boxes 13 through 22 are correct. They cover SMP, SPP, SAP recovery, and amounts recovered through Small Employer's Relief. Enter the recovery and NI compensation portions in the boxes shown.

Boxes 24 and 25 are for tax credits paid and funding received, and Box 26 is the net. On the next tab, Box 27 will show the total amount of statutory payments recovered and net tax credits paid.

## Working Sheet 3 tab

QuickBooks carries forward the totals from Working Sheet 2 but if you have made changes on Working Sheet 2, enter the differences manually where necessary. Your tax payable amount appears on this tab.

Your total payable to HM Revenue & Customs is in Box 30, unless you had Construction Industry Scheme deductions, in which case the total payable is in Box 32.

When you are sure that all figures are accurate, click **OK**. You will be returned to the Payroll Year End Process dialogue box.

Click **Checklist and Declaration...** to complete the Checklist and Employer's Declaration (shown at right). Tick the appropriate boxes. All questions must be answered before you can proceed.

When you click **OK**, you will be returned to the Payroll Year End Process dialogue box at which time you can print your P35 form.

**Checklist and Employer's Declaration**

You must answer each question by ticking the correct box.

1 Have you completed an End of Year Summary (P14) or P38(S) for every person in your paid employment during the relevant tax year?  
☐ No ☐ Yes

2 Did you make any 'free of tax' payments to any employee?  
☐ No ☐ Yes

3 Did anyone else pay expenses or provide vouchers or benefits to any of your employees whilst they were employed by you during the year?  
☐ No ☐ Yes

4 Did anyone employed by a person or company outside of the UK work for you in the UK for 30 or more days in a row?  
☐ No ☐ Yes  
If 'Yes', are these employees included in the 'Continuation Sheet'?  
☐ No ☐ Yes

5 Have you paid any of the employee's pay to someone other than the employee?  
☐ No ☐ Yes  
If 'Yes', have you included the payments on the employee's form P14?  
☐ No ☐ Yes

6 Do the rules relating to services provided through an intermediary (sometimes known as IR35) apply to any work carried out by any worker listed on this return?  
☐ No ☐ Yes  
If 'Yes', have you included a deemed payment or any part of one on your form P14?  
☐ No ☐ Yes

**I declare and certify that**

- forms P14, End of Year Summary for each employee or director for whom I was required to complete a form P11 Deductions Working Sheet (or equivalent) during the year  
☐ are enclosed
- completed form P38A, Employers Supplementary Return  
☐ is enclosed ☐ is not due
- completed form P11D and P11D(b), Returns of expense payments, benefits and Class 1A contributions  
☐ are enclosed ☐ will be sent later ☐ are not due

## Printing your P35 form

The printable P35 form looks like the official HM Revenue & Customs P35 form, but it is your file copy only. **Note: It is important to keep this copy in your files as you will need it if you file any amendments.** This safeguard is important because at present, P35 amendments must be filed using paper forms. If you adjust the figures in QuickBooks to create a new P35 form, you will not have access to the figures used to create the form you are printing now. You will need to compare the new data with the data in this form in order to create an amended P35.

If you are not using the file online feature yet, print this form and transfer the data manually to the official form from HM Revenue & Customs. Either way, keep the QuickBooks copy for your files.

You can only print the P35 **after** you review and print your P14/P60 forms, review the P35 form and complete the Checklist and Employer Declaration.

- 1 On the **Process Payroll Year End** screen, click **Print P35 Form**.
- 2 If you are filing your P35 online, use the P35 for your records only. If you are still filing paper reports, use the figures on the form you have just printed to fill in a blank P35 Employer's Annual Return form.

You are now ready to start filing your End of Year return online.

## Filing your payroll year-end online

Filing online means sending information directly to the HM Revenue & Customs computer instead of sending a paper return.

Filing PAYE year end returns (P14s and P35 data) online will soon be mandatory for all employers. From May 2005, employers with 250 or more employees are required to file online. Employers with between 50 and 249 employees must start online filing by May 2006, but you can start in 2005 if you wish.

If you have fewer than 50 employees, you do not have to start online filing until 2009-2010, but if you start earlier, you can get a financial incentive from HM Revenue & Customs. You qualify if you send your P14 and P35 data online, and the return meets the HM Revenue & Customs Quality Standard. You will not qualify if any part of your end of year return is sent on paper or using magnetic media.

The tax-free incentive becomes available after you successfully file your return online. HM Revenue & Customs credits it to your payment record and you can offset it against payments you make in the following payroll year, or claim it back and get a cheque. For details, go to the HM Revenue & Customs Web site or consult HM Revenue & Customs.

Before you file your end-of-year forms, you must be registered for HM Revenue & Customs Online Services on the IR Web site, the Government Gateway or the Businesslink Web site. When you register, you will be sent a User ID and Password (PIN) by post. You cannot file online without your PIN, so register early enough to receive the PIN before the May 19 filing deadline. Your User ID and Password are held securely on the Government Gateway and are not made available to other government departments. **Important: Keep your User ID and Password in a safe location. QuickBooks does not save them for you.**

Sending or receiving information online is secure and quick, more reliable and more efficient than using paper, and can cut down on storage space, post and administration. Because data passes between computers without manual intervention, there is less chance of misinterpretation or mistakes in information. You can file online yourself or some intermediaries, like agents or payroll bureaux, can file online on your behalf.

Filing online has the same deadlines as filing paper returns: you can file as early as April 6th and have until May 19th. After May 19th you can file online but may be assessed a late filing penalty.

Any changes to your forms after they have been filed online have to be made manually. Revisit the **Payroll Year End Process** and create amended documents, then complete and send by paper a supplementary or amended return to your tax office. You may need to consult HM Revenue & Customs for instructions.

For detailed information about filing End of Year returns online, including how to register, consult HM Revenue & Customs or go to the HM Revenue & Customs Web site. For a printable booklet go to [www.hmrc.gov.uk/employers/doitonline.pdf](http://www.hmrc.gov.uk/employers/doitonline.pdf) >.

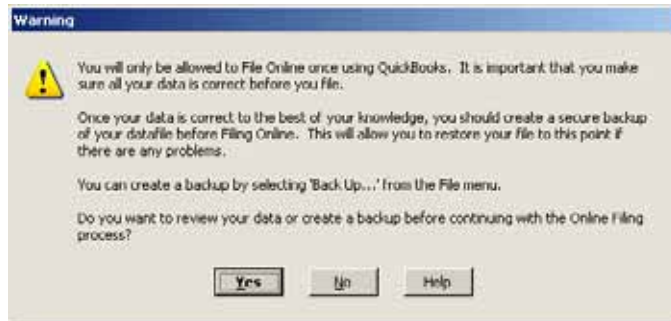
**Note:** If your company has one or more employees who had more than four NI code changes during the last tax year, you QuickBooks cannot file your End of Year reports online.

## Getting ready to file online



To preserve the integrity of your data, you must be in single-user mode to use the QuickBooks Payroll Year End Process.

The **File Online** button will not work until you have finished all the preparatory steps. When you choose File Online, you will see the Warning dialogue box. Choose **Yes** to exit and make changes or a back up, **No** to proceed with online filing



Use this checklist to ensure that you are ready to file. You can only file once, so it is important to ensure all your end of year data is correct!

- Ensure your P35 form is correct to the best of your knowledge. If you need to review your data, choose **Yes** in the Warning dialogue box and fix your data, then back up your company file. Click help for instructions on reviewing data.
- Make sure you have created an End of Year backup file of your company of payroll End of Year, in a separate place from your routine backups, and/or with a different (explanatory) filename. If you have not created a backup, choose **Yes** in the warning box and create End of Year backup, then resume.
- If you have changed any data, print your P35 form again and file it securely.

**Note:** These safeguards are important because at present, P35 amendments must be filed on paper. If you adjust the figures in QuickBooks to create a new P35 form, you will not have access to the figures used to create the form you are printing now. You will need to compare the new data with the data in this form to create an amended P35.

If you want to take maximum precautions, it is also advisable to back up your company file (also in a different location or with a different filename) after you have finished filing online. This will give you a snapshot of your company before and after filing.

If you have made backups of your company files, and have paper copies of all your forms on file, choose **No** in the dialogue box and you will go on to the next step of the online filing process.

- 1 Click **No** to proceed. The **Online Filing for tax year...** data box will appear.
- 2 Fill out the Employer Data, Online Filing Access, and Employer and Agent Contact Information in the **Online Filing for tax year...** data box.

**Note:**

This information accompanies your online P35. It must be filled in correctly or your online filing will be rejected and you may incur a penalty for late filing. Please check each area of the form carefully before submitting.

Your HM Revenue & Customs Office, PAYE Reference number and company's legal name appear in these fields as they were entered in your Company

Enter your User ID and Password here. If you have lost or misplaced your User ID or Password, contact HM Revenue & Customs immediately. You will not be able to file online without them.

If you are an employer filing on behalf of your company, leave Employer (the default choice) in the Agent Information box.

If the company's return was prepared by someone else, click on the arrow and select from this drop-down menu the choice which best describes them.

If you choose any of the Agent options, fill in name of agent company and contact information for the agent who prepared your return.

Did you review your P14/P60s **after all changes** were made?

If you made changes in your P14/P60s, you need to re-review them before completing the rest of the process, to make sure that your changes were reflected.

QuickBooks automatically incorporates most adjustments but **any discrepancies will cause your return to be rejected by HM Revenue & Customs**, so it is best to cancel the online filing process and re-review the data first.

## What happens when I click File Online?

When you press the **File Online** button, your return will be transmitted to HM Revenue & Customs's secure server.



The P14 and P35 forms sent over the Internet and accepted by the HM Revenue & Customs's systems have the same legal validity and implications as a signed paper form delivered to an HM Revenue & Customs office.

Filing online will take some time, depending on traffic on the receiving end. Please do not cancel the process if you feel it has taken too long. Wait until you have received a return dialogue indicating that your transmission has been successful, has timed out, or has failed.

This message does not indicate that your online return is without errors. It simply means the return has been received by HM Revenue & Customs's computer. If HM Revenue & Customs has your email address on file, they will also send a confirmation email. You can update or add an email address to your details by logging in to the HM Revenue & Customs Web site. At busy times the online confirmation messages may be delayed, so HM Revenue & Customs recommends that you provide an email address.

When you registered to use PAYE Online for Employers, you were given a User ID, a password and a secure mailbox. You can get to your secure mailbox by going to <<https://online.inlandrevenue.gov.uk/>>, keying your User ID and password into the Login boxes, and clicking on 'View your notices and reminders'. It is important to remember that unless you have opted out of using your secure mailbox, HM Revenue & Customs will send all messages regarding your account to the secure mailbox.

If you have made any errors, you'll receive an error message. Immediate error messages are displayed on your screen at the end of the online filing process. Print out these messages and make the necessary adjustments before re-trying to file online. Error messages from HM Revenue & Customs may appear somewhat cryptic, but they include the information necessary to find and fix errors in your forms. Note particularly the two lines indicating the problem and the location of the problem.

Unless you have opted out of the secure mailbox service, the failure message will also come to your secure mailbox. Therefore, please check your secure mailbox soon for feedback messages regarding your online filing. It is also a good idea to provide an e-mail contact address as a backup in case the secure mailbox is not working.

Immediately after filing online you should also back up your company file and keep the backup in a different location than your routine backups.

HM Revenue & Customs uses a Quality Standard for returns filed online. QuickBooks meets the Quality Standard in the area of Online filing.

# Making changes to your payroll year-end forms

If you alter certain payroll data after you have filed your End of Year forms, you will see a warning screen which tells you that the data you are changing affects the P14 and P35 forms already filed with HM Revenue & Customs. Whether you filed online or on a paper form, you will be required to file an amendment on a paper form. If you are sure you want to amend your P14/P35 data, please ensure that you have taken the following steps.

- Have you printed out your own copies of your original P14s and kept them on file? You will need them if the change affects an amount on the P14s.
- Have you printed out your original P35 and kept it on file? You will need it.
- Have you backed up your company data to a secure location which is separate from your regular backups? You should keep a permanent record of the data used to create your original P14s and P35.

This safeguard is important because at present, P14 and P35 amendments must be filed from QuickBooks by hand using paper forms. If you adjust the figures in QuickBooks to create a new P14 or P35 form, you will not have access to the figures used to create the original form. You will need to compare the new data with the data in the original form in order to complete and file an amendment to your P14s or P35.

To learn about...	Search the Help index for...
Filing your End of Year forms online	online filing
Payroll End of Year process	payroll, end of year
Reviewing and printing P14/P60 forms	P14/P60
Reviewing P35 data and printing P35	P35
Amendment process for P35	P35, amending

# Getting information about your payroll

## QuickBooks Payroll Reports

Use these QuickBooks reports to gather the payroll information you need:

Report	Description
Payroll Summary	Shows the total wages, taxes withheld, deductions from net pay, additions to net pay, and employer-paid taxes and contributions for each employee on your payroll.
Payroll Item Detail	Lists the payroll transactions on which each payroll item appears. For example, you could use this report to find out which payroll payments had deductions for a dental plan.
Payroll Pension Detail	Lists the payroll items that are marked as 'pension contributions.' Use this report to see a list of your company's pension contributions to a specific pension plan and the earnings base for each pension payroll item.
Statutory Payments Detail	Lists the statutory payroll items used in any statutory payments throughout the specified payroll period. You'll also see the amount of statutory pay you can recover from your payroll liabilities. If you qualify for SER, the recovery amount is further broken down to show NIC compensation.
Payroll Detail Review	Provides detailed information about how QuickBooks calculates tax amounts on employee payroll payments and in year-to-date transactions. You can use this report as a research tool to see exactly what numbers QuickBooks used to calculate the tax amounts.
Employee Earnings Summary	Shows information similar to the payroll summary report, but in a different layout.
Payroll Transactions by Payee	Lists payroll transactions, grouping them by payee. For example, you could use this report to create a listing of the payroll payments you paid to each employee.
Payroll Transaction Detail	Shows the line item detail that appears on each payroll transaction.
Payroll Liability Balances	Lists the payroll liabilities your company owes to tax agencies and labour unions for example.
Employee Quick-Report	Lists chronologically the transactions related to a particular employee. This report is available from the Employee list by clicking the Report menu button.
Payroll Item Listing	Shows detailed information about each payroll item you use to track payroll-related expenses and liabilities.
Payroll Item QuickReport report	Lists chronologically the payroll transactions that contain a particular payroll item. This report is available from the Payroll Item list by clicking the Report menu button.



## Finding out how much you owe for payroll liabilities

Let's say you want to see how much you currently owe for each payroll tax for the current payroll period.

You can find out quickly by creating a payroll liability balances report. This report shows liabilities incurred during the date range specified that are still unpaid or outstanding.

11:04 PM  
31.03.03

**Grangeworth Kitchens Basic Ltd**  
**Payroll Liability Balances**  
January 2003

From 01/01/2003 To 01/31/2003

**Payroll Liabilities**

Income Tax	889.18
IBC Employee not contracted-out	493.65
IBC Employee Rebate	0.00
IBC Employee Rebates(ER)	0.00
IBC Employer	582.51
IBC Employer Rebate	0.00
<b>Total Payroll Liabilities</b>	<b>1,965.34</b>

Ensure the date range covers the period for which you have outstanding payroll liabilities.

If you made any statutory payments to an employee, QuickBooks automatically calculates any recovery amounts for you. If you qualify for SER, make sure you tick the SER check box because the calculation that QuickBooks uses to determine the recovery amount is different.

# Finding out how much you spend on your payroll

Let's say you want to know how much money you spend on your payroll. You can run a payroll summary report to see your payroll totals by employee and for the whole company for a single payroll period.

The gross pay includes commissions, bonuses and additions to gross. This represents the total payroll expenses, not including the employer-portion for employment taxes and other contributions.

The adjusted gross pay equals gross pay minus deductions from gross.

For taxes and employer contributions, the amounts are liabilities accrued during the period.

Payroll Summary				Ask a help question Ask How Do I?									
What's Report...	Print...	Print...	Print...	Print Register	Refresh								
Dates: Custom		From 1/27/2003	To 2/27/2003	Company	Employee								
11:21 PM													
3/18/03													
Grangeworth Kitchens Basic Ltd													
Payroll Summary													
February 2003													
Andrew G Turner				Charles S Walker									
= Hours		= Rate		= Hours		= Rate							
Employee Wages, Taxes and Adjustments													
Gross Pay													
Salary			1,833.33				0.00						
Hourly Pay			0.00	74	4.00		296.00						
Bonus			800.00				87.25						
Total Gross Pay			2,633.33				383.25						
Adjusted Gross Pay													
			2,333.33				383.25						
Taxes Withheld													
Income Tax			-289.76				-1.50						
IRC Employee not contracted-out			-233.33				-0.00						
IRC Employee Rebate			-0.00				0.00						
Total Taxes Withheld			-523.09				-1.50						
Net Pay													
			1,736.24				381.75						
Employer Taxes and Contributions													
IRC Employee Related(P)			0.00				0.00						
IRC Employee			275.33				0.00						
IRC Employee Rebate			0.00				0.00						
Total Employer Taxes and Contributions			275.33				0.00						

You can change the date range to cover this year to date, last quarter, or any period you want.

The net pay is the actual amount of money the employee(s) received. This amount is usually less than gross pay due to taxes withheld and other after-tax deductions.

## Figuring out what wage amount each tax is based on

For each tax amount on employee payroll payments, you want to check the amount of wages it is based on. You can generate the payroll detail report to see the earnings base for all calculations on payroll payments.

**Payroll Item Detail**  
February 2003

Item	Date	Source Name	Payroll Item	Type	Earnings Base	Amount
<b>Salary</b>						
	02/28/2003	Andrew G Turner	Salary	Giro/BACS Paym...	0.00	1,833.33
	02/28/2003	Gemma T Curtis	Salary	Giro/BACS Paym...	0.00	1,000.00
	02/28/2003	James E MacDonald	Salary	Giro/BACS Paym...	0.00	1,500.00
	02/28/2003	Lynda J Hamilton	Salary	Giro/BACS Paym...	0.00	1,250.00
Total Salary					0.00	5,583.33
<b>Hourly Pay</b>						
	02/28/2003	Charlie S Walker	Hourly Pay	Giro/BACS Paym...	0.00	296.00
Total Hourly Pay					0.00	296.00
<b>Bonus</b>						
	02/28/2003	Andrew G Turner	Bonus	Giro/BACS Paym...	0.00	500.00
	02/28/2003	Charlie S Walker	Bonus	Giro/BACS Paym...	0.00	97.25
Total Bonus					0.00	597.25
<b>Income Tax</b>						
Intern...	02/15/2003	Inland Revenue	Income Tax	Liability Cheque		904.20
	02/28/2003	Andrew G Turner	Income Tax	Giro/BACS Paym...	2,333.33	-369.76
	02/28/2003	Charlie S Walker	Income Tax	Giro/BACS Paym...	393.25	-1.50
	02/28/2003	Gemma T Curtis	Income Tax	Giro/BACS Paym...	1,000.00	-117.64
	02/28/2003	James E MacDonald	Income Tax	Giro/BACS Paym...	1,500.00	-227.64
	02/28/2003	Lynda J Hamilton	Income Tax	Giro/BACS Paym...	1,250.00	-172.64
Total Income Tax					6,476.58	95.02
<b>NIC Employee not contracted-out</b>						
Intern...	02/15/2003	Inland Revenue	NIC Employee...	Liability Cheque		544.93
	02/28/2003	Andrew G Turner	NIC Employee...	Giro/BACS Paym...	2,333.33	-233.33
	02/28/2003	Charlie S Walker	NIC Employee...	Giro/BACS Paym...	393.25	-0.82



To learn about...

payroll reports

Search the Help index for...

payroll, reports about



## Time and cost tracking

Should I track time?	230
Paying for time worked	236
Charging customers for time worked	238
QuickBooks Pro Timer Reference Sheet	240

### How do I bill for employee and subcontractor time and costs?

Time tracking, available only in QuickBooks Pro, and higher, allows you to track hours worked by yourself, employees, or subcontractors. You can make the time billable for specific jobs.

QuickBooks can then transfer the tracked time to pay cheques, regular cheques, and bills from subcontractors.

Cost tracking allows you to pass costs along directly to your customers.

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## Should I track time?

QuickBooks Pro and higher provide time-tracking capability to suit your needs:

- **The Stopwatch:** When you're working in QuickBooks and want to take a stopwatch approach (that is, turn on a timer, work, and then stop the timer), use the Stopwatch on the Time/Enter Single Activity window.
- **The QuickBooks Pro Timer:** The Timer is a separate program that runs on Windows on any computer. Because it's separate, you can distribute copies of the Timer to people who don't have access to QuickBooks, such as employees and subcontractors. Then you can merge their time data into the QuickBooks company file.
- You can also enter time data manually into QuickBooks in the Weekly Timesheet window or Time/Enter Single Activity window.

Tracking time can help you make better decisions about work capacity, future hiring needs, and employee productivity.

Furthermore, if you track the time you, your employees, or your subcontractors spend on each job, you'll be able to do the following:

- Invoice customers based on the number of hours of work done for them.
- Automatically fill in hours on pay cheques.
- When paying subcontractors, automatically fill in hours on cheques and bills.
- Track payroll costs by job, class, or type of work.
- Report hours worked by person, job, or type of work.
- Track billable versus non-billable time.

## Should I make time billable?

When you record time worked for a particular customer or job, one option is to mark it as billable. Then, when you invoice the customer, you can add the billable time to the invoice. After you put the time on a sales form, QuickBooks marks it non-billable, so you won't charge twice for the same thing.

If the work done by your employees is billable to a customer, it becomes billable as soon as you record the time in QuickBooks. It doesn't matter whether you have actually paid the employees for it yet.

Some businesses track time without making it billable. For example, if you agree to do a job at a fixed price, you would not invoice for time. However, you may still want to track time so you can decide after completing the job whether you set the right price.

Also, you can track accrued time (like sick time), which is normally not billable.

# Should I track time for subcontractors?

Most businesses don't need to track time for subcontractors, with a few exceptions:

- On time reports, you want to see all time for a particular job, whether for an employee, a subcontractor, or an owner.
- Glenn's company has only one employee now. By tracking time worked by subcontractors, he'll know what to expect when he has employees doing this type of work in the future.
- You want to track subcontractor time independently of the time subcontractors report on the bills they submit to you.
- Jill gives subcontractors copies of the Timer program and asks them to return time data to her weekly so she can track how many hours have been spent on her project long before she receives the bills.
- You want to pay subcontractors based on time worked, using the time information entered in QuickBooks.
- Eric tracks time for subcontractors and pays them within 30 days. On a weekly basis, Eric enters a bill for each subcontractor and transfers the time worked during the previous week.

# How much detail should I track for time activities?

You track time based on **activities**. Each activity needs, at a minimum, the following to describe it:

- Name of person who did the work
- Date the work was done
- Time spent doing the work

The level of detail you include when tracking an activity depends on whether or not it's billable and how much detail you want in your reports.

Describe an activity by specifying ...	Comment
Name of person who did the work	Required.
Date the work was done	Required; each activity can be for only one date.
Time spent doing the work	Required. (If you use the Timer or the Stopwatch to time an activity, fill in the time spent.)

Describe an activity by specifying ...	Comment
Customer (and job) the work is for	<p>Required only if you plan to invoice for the time. Even if you don't invoice for the time:</p> <ul style="list-style-type: none"> <li>■ Allows you to report on hours worked by customer and job.</li> <li>■ Allows you to track payroll expenses by customer and job.</li> </ul>
Type of work (described by a service item from the Item list)	<p>Required only if you plan to invoice for the time. Even if you don't invoice for the time:</p> <ul style="list-style-type: none"> <li>■ Allows you to report on hours worked by type of work.</li> <li>■ Allows you to track payroll expenses by type of work.</li> </ul>
Whether time is billable	Time must be billable if you plan to invoice for the time.
Class	<p>If your company does class tracking, you can do the following:</p> <ul style="list-style-type: none"> <li>■ Filter time reports by class.</li> <li>■ If you are set up to split payroll expenses by class, you can assign classes to employee time. Then you can automatically track all payroll expenses by class.</li> </ul>



## Choosing a method to track time

QuickBooks Pro comes with a separate Timer programme that can run regardless of whether QuickBooks is on the same computer. You can track time with the Timer and transfer the time data into QuickBooks later.

You can also use the built-in Stopwatch or enter time data into QuickBooks manually using weekly timesheets.

Situation	How to track time	See...
You have access to QuickBooks and want to use a stopwatch approach to time tracking: turn on a timer, work, then stop the timer.	Use the Stopwatch in the Time/Enter Single Activity window in QuickBooks Pro.	<ul style="list-style-type: none"><li>■ "Setting up QuickBooks Pro or higher to track time" on page 234</li><li>■ search the online help and search for "Stopwatch"</li></ul>
You want people who don't have access to your QuickBooks company file to track their own time.	Distribute copies of the QuickBooks Pro Timer to these people, and have them give you their time data.	<ul style="list-style-type: none"><li>■ "Setting up QuickBooks Pro or higher to track time" on page 234</li><li>■ "Using the Timer" on page 235</li><li>■ search the online help for "Importing Timer data into QuickBooks"</li><li>■ "Installing the QuickBooks Pro Timer from the CD-ROM" on page 7</li></ul>
You (and others in your company) have access to QuickBooks and want to enter time data after the work is done.	Enter time data directly into QuickBooks Pro, either on a weekly timesheet or as separate activities one at a time.	<ul style="list-style-type: none"><li>■ "Setting up QuickBooks Pro or higher to track time" on page 234</li><li>■ search the online help for "Entering time manually in QuickBooks"</li></ul>
Your employees submit paper timesheets.	One person can enter everyone's time data directly into QuickBooks Pro on a weekly timesheet for each person.	<ul style="list-style-type: none"><li>■ "Setting up QuickBooks Pro or higher to track time" on page 234</li><li>■ search the online help for "Entering time manually in QuickBooks"</li></ul>

## Setting up QuickBooks Pro or higher to track time

**Note:** You must do this preparation before other users can install and use the Timer.

What to set up	Comments	Search the Help index for...	✓
Turn on time tracking.	The timesheet starts with the day you choose as the first day of your work week.	■ preferences, time	<input type="checkbox"/>
On the Customer:Job list, set up the customers and jobs you want to track time for.	If you don't plan to track time for a customer or job, you don't need that name on the Customer:Job list now.	■ customers, adding new ■ jobs, adding new	<input type="checkbox"/>
On the Item list, set up service items for the work to be tracked.	Service items are required only if you make the time billable to a customer or job. Be sure to create separate service items for subcontracted services.	■ service items, setting up ■ subcontractors, service items for	<input type="checkbox"/>
Set up the people whose time will be tracked. Each name must be on one of the following lists: ■ Employee ■ Other Name (for owners and partners) ■ Supplier (for subcontractors)	If you plan to pay employees based on tracked time, you must also set up their payroll information. See: ■ "Setting up employees" on page 178 ■ Also, see the help in the Timer for instructions on using it	■ employees, adding ■ other names, list of ■ suppliers, adding	<input type="checkbox"/>
On the Payroll Item list, set up salary or hourly wage payroll items to use when paying employees for time tracked.	Required only if you will track time for employees.	■ hourly wages ■ salaries	<input type="checkbox"/>
On the Class list, set up classes for the work to be tracked.	Class tracking is completely optional.	■ classes, adding	<input type="checkbox"/>

## Setting up to use time tracking with payroll

When you set up your employees, be sure to tick **Use time data to create payments** on his or her Payroll Info tab.

☒ Use time data to create payment

Payroll payments will then automatically have the employee's time data (including job, class, and type of work) for the period covered by the payment. QuickBooks keeps track of your payroll expenses for hourly or salaried gross pay, employer taxes, and other payroll overhead by job, class, and type of work.

# Using the Timer

The QuickBooks Pro Timer is designed to track and record time data which you can then export to QuickBooks Pro (or higher). Use the Timer when you want to gather time data from people who don't have access to QuickBooks but do have access to a computer.


For more information on using the Timer to track employees' time, see the online help in QuickBooks and the help that comes with the Timer programme.

For information on installing the timer, see "Installing the QuickBooks Pro Timer from the CD-ROM" on page 7.

You can also create Timer install disks to give to those employees who want to track their time using the Timer.

To create Timer install disks:

Create Timer 3.5-inch floppy install disks for those employees who need to time their activities but do not have a copy of QuickBooks.

- From the Windows  menu, select **Programs, QuickBooks, then Create Timer Install Disks**. Follow the on-screen instructions.

Once you have created the disks, give them to your employees along with the "QuickBooks Pro Timer Reference Sheet" on page 240. This sheet explains how to install the Timer.

# Using the Stopwatch in QuickBooks to track time

The Stopwatch is a feature available within QuickBooks that can also record timed activities. Use the Stopwatch on the Time/Enter Single Activity window in QuickBooks Pro when you want to time an activity—simply start the Stopwatch, work, and stop it when you've completed the work.



To learn about...	Search the Help index for...
Blank timesheets	timesheets, blank
Filling out a weekly timesheet	timesheets
Entering details for a single activity	single activity entries
Using the Stopwatch to time an activity	Stopwatch

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# Paying for time worked



QuickBooks does not track whether you have paid workers for time or not, only whether you have passed time costs on to your customers.

If you pay a worker (employee, owner, or subcontractor) for time and then edit the time data or import new data from the Timer, QuickBooks does not track which time has been paid for and which has not. All it tracks is the end date of your last payment for time to the worker.

To avoid paying for the same time twice, make sure your worker has submitted all their time data for a period before you create a payroll payment covering that period—that is, pay a worker only for work that takes place after the end date of your last time payment to him or her. If you accept late time data, print a Time by Job Detail report and mark the activities you are paying for.

QuickBooks automatically transfers time data when you create payroll payments for employees who are set up for time tracking. It fills in the hours for each "salary" or "hourly wage" payroll item included in the time data for the payroll period.

For information on setting up and using the Timer to track employee's time, see the online Help.

If customers or jobs, service items, or classes are assigned to an employee's time activities, this detail is also included. For example, out of 40 hours altogether, 19 may be assigned to Job A, 11 to Job B, and the remaining 10 hours to Job C. QuickBooks then splits the payroll expenses for the employee according to how you assigned the time.

## Paying non-employees for time worked

Some businesses need to pay people who are not employees (such as owners, partners, or subcontractors) based on time worked. QuickBooks can transfer time data for a specified date range to a payment to a nonemployee. That is, it can fill in the number of hours worked and the rate for that type of work.

To pay a subcontractor or other supplier, you can either write a cheque (if you want to pay immediately) or enter a bill (to be paid at a later time). To pay an owner or partner (someone on your Other Names list), you can write a cheque.

**Tip:** To show payments for time worked on reports, set up subcontractors as suppliers. Always use the subcontractor's supplier name when you track time and pay him or her. Then QuickBooks will report the amount paid correctly.



### To learn about...

Setting up an owner or partner

Adding a name to the Supplier list

Editing an employee name

### Search the Help index for...

owners

partners, setting up

suppliers, adding

employees, editing

## Service items for non-employee time data

If you plan to transfer time data for non-employees to a payment, it should have a service item assigned to it. QuickBooks uses the rate for "purchases" of the service item when calculating how much to pay a non-employee for the hours worked.

### ■ Service items for subcontractors (suppliers)

When you pay a subcontractor set up as a supplier, the payment is an expense to the business. You should assign the time to a service item set up to track costs in an expense account. (This service item should not be used for owners or partners.)

### ■ Service items for owners or partners

When you pay an owner or partner, the payment is a drawing against equity rather than being an expense to the business. You should assign the time to a service item set up specifically to track costs in that person's equity account. The service item should not be used for any other purpose.



### To learn about...

Setting up a service item for services with both costs and income

### Search the Help index for...

service items, billing work by subcontractors or owners

## Transferring nonemployee time to a payment or bill

When you pay a nonemployee for time worked, use the Write Cheques window. (To pay employees, always use the payroll system!)

When you write the cheque or enter the bill, QuickBooks alerts you if there is current time data for the payee. If you want to pay for the time now, you can specify the date range the payment should cover. Then QuickBooks pre-fills the Items tab of the payment with the service item, customer and job (if any), rate, number of hours, and amount.



### To learn about...

Writing a cheque to pay a non-employee for time worked

### Search the Help index for...

time, paying non-employees for

---

# Charging customers for time worked

You can transfer time data to an invoice for a customer as long as the time data includes the Customer:Job name, is recorded for a service item, and is marked as billable.

As you create an invoice, you can display the unbilled time for the job and select what to include. When you record the invoice, QuickBooks marks the time you've selected as billed, so you won't bill for it again by mistake.



---

## To learn about...

Transferring time to invoices

Making time billable again if you billed for it mistakenly

---

## Search the QuickBooks Help index for...

invoices, time and cost

time, making billed time billable again

---

## Recording the cost of the work vs. invoicing for it



Don't make both a worker's time *and* your payment to that worker for the time billable.

- If you make an invoice from a subcontractor billable, you can invoice your client in turn for the subcontractor's charges. When invoicing your client, open the Choose Billable Time and Costs window, then select the subcontractor's bill from the Expenses or Items tab (whichever you used on the subcontractor's bill).
- If you pay a subcontractor, owner, or partner for time worked with the Write Cheques window, you can make the service items on the cheque billable. Then, when invoicing your client, open the Choose Billable Time and Costs window, then select the time from the Items tab.
- If you make the time itself billable, you can invoice for the time from the Time tab of the Choose Billable Time and Costs window.
- If you make both the time and the bill or payment billable, you are in danger of invoicing the customer twice for the same work!

When you record time or bill your customer for it, you are not recording its cost to you. To record the cost, you have to take a second step. The following table shows how you record costs for time worked and what you have to do to invoice customers for work.

The work is done by ...	You record the cost of the work when you ...	To invoice other people for the work...
Employees	Pay the employees.	Make the time billable.
Subcontractors (suppliers)	Enter bills from the subcontractors (or write cheques or enter credit card charges for the work).	On the bills, cheques, or credit card charges, make the items or expenses billable OR track the time and make the time billable
Owners or partners	Payments to owners or partners for time worked are a draw against equity, not an expense, and therefore do not affect the net profit.	Make the time billable OR write a cheque to pay for the time worked, and make the items on the cheque billable.

---

# QuickBooks Pro Timer Reference Sheet

## The Timer and QuickBooks Pro or higher

- Before you can use it, the Timer needs to import information from QuickBooks Pro or higher.
- Then use the Timer to time your activities.
- Finally, export a file of time data for QuickBooks Pro or higher to import.

## Installing from the QuickBooks Pro or higher CD-ROM

- 1 Insert the CD-ROM in your CD-ROM drive.
- 2 If the QuickBooks Installer starts automatically, click **No**.  
If the Installer does not start automatically, display the Run window:
  - Select **Run** from the **Start** menu.Type the letter of your CD-ROM drive, then **:timer\setup.exe** and click **OK**.
- 3 Follow the instructions on your screen.

## Installing from 3.5-inch disks

- 1 Insert the first Timer install disk in your 3.5-inch disk drive.
- 2 Select **Run** from the **Start** menu.
- 3 Type the letter of your floppy drive, then **\:setup** (for example, a:\setup), then click **OK**.
- 4 Follow the instructions on your screen.

## Starting the Timer

Click **Start, Programs**, then **QuickBooks Pro Timer**.

## Setting up the Timer

- 1 In the Open Timer File window (displayed the first time you start the Timer), choose **Create New Timer File**, then click **OK**.
- 2 Type a name for the Timer file and the location to save it, then click **OK**.
- 3 From the **File** menu of the Timer, choose **Import QuickBooks Lists**.
- 4 Select the name of the .IIF file to import from QuickBooks. (You may have to navigate to a new drive or folder.) Click **OK**.

The person who works with QuickBooks Pro or higher must make this IIF file available to you.

- 5 From the **File** menu of the Timer, choose **Preferences**, then **Default Name**.
- 6 Choose your own name from the drop-down list.
- 7 If your time is always billable to a customer or job, select the checkbox, then click **OK**.



## Setting up an activity to time

- 1 In the main Timer window, click **New Activity**.
- 2 Fill in the fields you need and click **OK**.

## Timing an activity

- 1 If the activity you want to time is not already in the Current Activity field, choose it from the drop-down list.
  - If you choose from Today's Activities, the Timer will add time to the time already shown for today.
  - If you choose from Activity Templates, the Timer will start with zero time.
- 2 To start timing, click **Start** (or **Resume**).
- 3 To stop timing, click **Stop**.

## Entering time manually

- 1 Choose the activity from the Activity Templates section of the drop-down list in the Current Activity field.

If the activity is not on the list, set it up first.
- 2 When the activity is in the Current Activity field, click **Edit Activity**.
- 3 In the Edit Activity window, change the date if you did not perform the work today.
- 4 In the Duration field, type the time.

You may enter time in any of the following formats:

- Hours and minutes (for example, 01:30)
- Hours as decimals (for example, 1.5)
- Hours as fractions (for example, 1 1/2)
- Number of minutes (for example, 90)

No matter which format you use, the Timer displays hours and minutes when you tab out of the field.

- 5 Click **OK** to record the activity and its time.

## Shrinking the Timer

- Click the **Resize** button (to the right of the Start button).
- To make the timer full size again, click the **Resize** button on the shrunken Timer.

## Exporting Timer data for QuickBooks

- 1 From the **File** menu of the Timer, choose **Export Time Activities** and click **Continue**.
- 2 In the Export Activities window, change the date through which to export all unexported activities if the date is not correct.
- 3 Click **OK**.
- 4 In the Create Export File window, specify a name, drive, and folder (or directory) for the IIF file you are creating.
- 5 Click **OK**.

## Using the Timer's Help system

For onscreen help while using the Timer, press **F1** or choose **Help** for this Window from the Help menu.

To find out how to use other Timer features (such as entering notes or viewing your activity data), choose **Help Contents** from the **Help** menu.

## System requirements for the Timer

The Timer requires the following hardware and software:

- 486 PC (or higher) with a minimum of 9 MB (megabytes) of RAM (random access memory); 16 MB is recommended.
- Hard disk with at least 9MB of free disk space (plus space for your data file)
- Windows 3.1 or later
- VGA monitor or better



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